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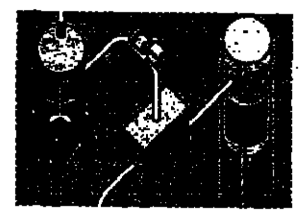

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World Business Newspaper WEDNESDAY FEBRUARY 22 1995 D8523A

Fleet Financial in $3.4bn deal to buy Shawmut

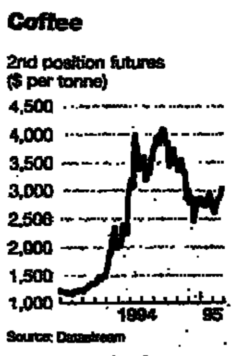
Fleet Financial, the US banking group based in Rhode Island, announced a $3.4bn all-share acquisition which would catapult it into the ranks of the country's 10 biggest commercial banks. The planned takeover of Shawmut National, based in New England, would be one of the biggest regional banking acquisitions mounted in the US, creating an entity with assets of $81bn. Page 21; Lex, Page 20; Background, Page 22

Bank governor warns on Emu: Bank of England governor Eddie George warned of the "economic risks in seeking to go too far or too fast" towards economic and monetary union in Europe. Page 20; Jobs as key to future of Emu, Page 2

End of financial rand signalled: South Africa's Reserve Bank governor Chris Stals said the economic conditions needed to abolish South Africa's two-tier exchange rate were in place and the abolition of the financial rand was now a matter of "political discretion". Page 20 and Lex

NatWest seeks US acquisition: National Westminster Bank of the UK may expand its investment banking operations through acquisition in the US or elsewhere, it said as it disclosed flat operating income and a 4.5 per cent rise in expenses. Page 21; Lex, Page 20

Coffee prices exceed $3,000 a tonne



Source: Datastream

Coffee futures prices rose through $3,000 a tonne in London, their highest level this year, as concern about dry weather in Colombia and a shortage of robusta supplies attracted fund buyers back into the market. The May position closed $54 higher at $3,013, supported by a strong New York arabica market, leaving it 5.4 per cent up so far this week. The London market has risen 16 per cent in the past two weeks, but it is still more than $1,000 a tonne below last year's peaks. *Commodities, Page 29*

Germany faces inflationary pressure: Inflationary pressures and the risk of higher interest rates are growing in Germany as business confidence rises to peaks not seen since the unification boom of 1991, the Bundesbank says it its latest economic review. Page 20

PolyGram chief attacks piracy: Alain Levy, president and chief executive of London-based music and film group PolyGram, said musical piracy was "a serious problem" which had held back the group's growth in the Far East. Page 21

Daiwa cuts staff in Europe: Daiwa Europe, London-based subsidiary of Japanese broker Daiwa Securities, cut its staff of some 440 by about 10 per cent, mostly in its London office, after a review and restructuring of its European operations. Page 28

UK opens repo market in gilts: The UK Treasury announced that all participants in the British government bond market are to be allowed to borrow and lend bonds. Page 20

Nuclear waste shipment bound for Japan: The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave Cherbourg for Japan tomorrow. British Nuclear Fuels won an injunction in France to restrict potential disruption by Greenpeace, the environmental group. Page 6

Indonesia's high-tech projects in trouble: Indonesia's minister for research and technology said several of the country's high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and should be closed if they are not granted export credits. Page 4

Karen quit border stronghold: Karen guerrillas, the most powerful opponents of the military regime in Rangoon, withdrew from their last main stronghold on the Thai-Burmese border after an intense Burmese army artillery barrage. Page 6

GRE raises profits and cuts jobs: Composite UK insurer Guardian Royal Exchange reported an unexpectedly steep profits rise, but announced 500 job cuts and warned that more a selective approach to risks could trim future premium income. Page 28; Lex, Page 26

World unemployment reaches 30%: Thirty per cent of the world's workforce – some 820m people – are unemployed or under-employed, the International Labour Organisation said. Page 4

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,965.32	(+11.77)
NASDAQ Composite	785.83	(-1.14)
Europe and Far East		
CAC40	1,197.8	(-0.17)
DAX	2,097.04	(-4.5)
FT-SE 100	3,023.4	(+4.8)
Nikkei	18,096.25	(+139.77)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.849%
Long Bond	100 5/16
Yield	7.593%

OTHER RATES

UK: 3-mo Interbank	6¾%	(6 23/32%)
UK: 10 yr Gilt	98 13/32	(98 13/32)
France: 10 yr OAT	96.17	(96.5)
Germany: 10 yr Bund	99.5	(99.73)
Japan: 10 yr JGB	97.292	(97.446)

NORTH SEA OIL (Argus)

Brent 15-day	$16.97	(17.005)

GOLD

New York: Comex	$388.6	(380.6)
London: close	$378.8	(379.4)

DOLLAR

New York: lunchtime		
£	1.5805	
DM	1.47825	
FFr	5.1545	
SFr	1.24975	
Y	97.23	
London:		
£	1.5809	(1.5838)
DM	1.4796	(1.4887)
FFr	5.154	(5.1786)
SFr	1.2506	(1.2589)
Y	97.425	(97.5)

STERLING

DM	2.339	(2.3327)
Tokyo close:	Y 97.63	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft165	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	Ikr220	Nigeria	Naira30	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y300	Philippines	Pes50	Switz	SFr3.60
Estonia	EKr 30	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Washington finance package aimed at ending two-month-old crisis

$20bn US aid deal for Mexico

By George Graham in Washington, Leslie Crawford in Mexico City and Stephen Fidler in London

The US and Mexico yesterday signed an accord detailing the terms and conditions of a $20bn US financing package aimed at lifting Mexico out of a two-month-old financial crisis.

The accord – made up of four separate agreements – means the US will be able to provide Mexico with up to $10bn in stages between now and the end of June, with $3bn immediately available.

A further $10bn would be available from July onwards, subject to Mexico's meeting its economic and other commitments. A US statement said it was expected that the second $10bn would be undrawn but available for contingencies "including any related to the banking system".

The agreement – signed in Washington by Mr Robert Rubin, the US treasury secretary, and Mr Guillermo Ortiz, Mexico's finance minister – was described as "both a financial transaction and an act of diplomacy" by Mr Frank Newman, the US deputy treasury secretary.

However, the initial financial market reaction to the announcement was negative, with investors complaining that it contained little new. The peso weakened to 5.575 to the dollar in the early afternoon – against 5.565 on Monday's close – having been significantly higher in earlier trading. Mexico City's stock market continued to decline, falling 3.74 per cent by midday. The package – part of a $50bn credit line which also includes finance from the International Monetary Fund and foreign central banks – has three elements.

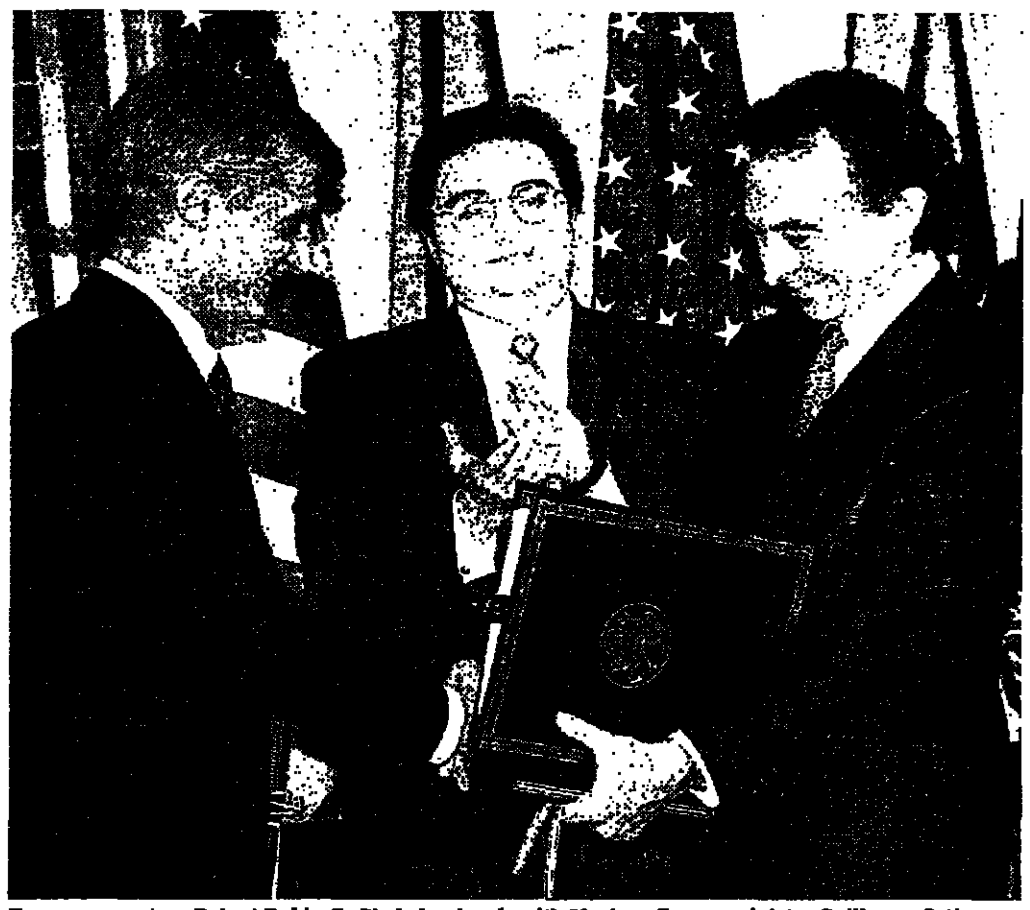
It comprises short-term currency swaps of less than one year; medium-term currency swaps of three to five years, and loan guarantees – of up to 10 years – to allow Mexico to restructure its short-term dollar debts with longer-term instruments. The first issue of Mexican bonds guaranteed by the US government is expected in the second quarter.

Some of the funds would go to reduce further the amount of *tesobonos* – short-term dollar-denominated government debt – which has already fallen this year from almost $30bn to less than $20bn, Mexico's finance ministry said.

The US security for the credits will be oil revenues from the exports by the state petroleum monopoly, Pemex. Pemex will instruct foreign customers to pay for oil into an account at a US commercial bank, that will transfer funds to a Mexican central bank account at the New York Federal Reserve Bank.

So long as Mexico is current on its obligations, the money will be freely available for use by the central bank. But if Mexico fails to repay the US, the US Treasury will be entitled to set off its claims against the Bank of Mexico account.

The Mexican finance ministry emphasised the accord gave the US no say over Mexican oil export policy. Mr Ortiz said the oil conditions were no different to those in previous financings.



Treasury secretary Robert Rubin (Left) shakes hands with Mexican finance minister Guillermo Ortiz.

Mexico will initially pay interest charges based on 91-day US Treasury Bill rates plus a risk premium of 2.25 to 3.75 percentage points. The guarantees are to be priced on a similar basis. Fees would rise with greater use of the financing to encourage Mexico to seek regular private sources of finance, US officials said.

The central bank on Monday announced a 10 percentage point rise in interest rates to over 47 per cent. Economists said this was part of an attempt to build up the country's depleted foreign exchange reserves, since the financing package could not be used to finance the current account deficit but only to restructure debt.

Police search EU commissioner's home

Van Miert denies involvement in Belgian government bribery scandal

By Emma Tucker in Brussels

Belgian police have searched the offices and home of Mr Karel Van Miert, the European commissioner responsible for competition policy and one of Belgium's best-known politicians.

They were looking for evidence in connection with a bribery scandal that has shocked the fragile four-party coalition held together by Mr Jean-Luc Dehaene, the Christian Democrat prime minister, and focused unwelcome attention on two of the country's most prominent international figures.

Mr Willy Claes, secretary-general of Nato, has also been named in connection with the alleged bribery affair. Mr Claes was Belgium's economic affairs minister in 1988 when BFr50m ($1.6m) was allegedly paid to Socialist politicians by Agusta, the Italian defence manufacturer, to secure a government contract for 46 helicopters. Mr Van Miert was leader of the Flemish socialist party.

Mr Claes has denied any involvement and played down the matter at a regular meeting of Nato ambassadors yesterday.

Before the Belgian authorities can insist on questioning him, his diplomatic immunity would have to be lifted. It was reported yesterday that he would consult his lawyers before deciding whether to open his offices and homes to a search.

Mr Van Miert said he had nothing to hide and denied any wrongdoing.

He chose not to exercise his diplomatic immunity as a European commissioner and invited police to search his office.

They removed a few addresses and extracts of bank accounts. From his home they took manuscripts covering party business when he was party president. Mr Van Miert has been a member of the Commission since 1989. Yesterday he said he had vacated the post of Socialist party president by the time the money was alleged to have been paid. "I have understood that if there really were payments or if money was paid, it would have been in 1989," he told a radio interviewer.

Mr Jacques Santer, the Commission president, said he had confidence in Mr Van Miert.

Last night, lawyers representing Mr Etienne Mangé – head of the post office and arrested earlier this week in relation to the affair – said Mr Van Miert did not know about the exchanges of money taking place.

Belgium has been shocked by the Agusta affair which last year prompted the resignation of three government ministers.

Discomfort for the government was increased yesterday with the news that a Belgian health inspector who was investigating a so-called animal hormone mafia was shot dead late on Monday.

Bank of Italy raises rates to prop up weakening lira

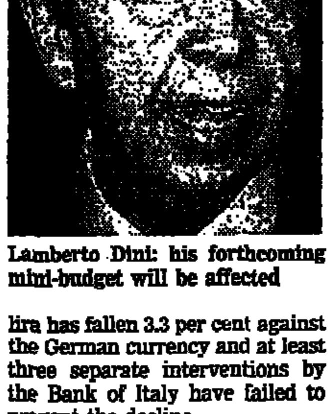
By Robert Graham in Rome

The Bank of Italy, the central bank, was last night obliged to raise the discount rate by 0.75 of a percentage point to 8.25 per cent to prop up an ever-weakening lira.

The Bank of Italy's move followed a day in which the lira had fallen to historic lows against all major currencies with the exception of the dollar and sterling. The interest rates rise, the first since August 11, will have an immediate impact on the mini-budget of Mr Lamberto Dini, the prime minister, which is in the final stages of preparation and due to be announced by Friday.

Economists estimate that each percentage point rate rise in the discount rate adds an extra L15,000bn ($9.4bn) to the annual interest rate bill on Italy's huge mountain of public debt. The need for the mini-budget of L20,000bn to hold down the 1995 budget deficit to 8 per cent of GDP results largely from the extra cost of debt service from the previous discount rate rise.

Yesterday the lira fell to L1,095 against the DM from Monday's L1,083. Over the past week the lira has fallen 3.3 per cent against the German currency and at least three separate interventions by the Bank of Italy have failed to prevent the decline.



Lamberto Dini: his forthcoming mini-budget will be affected

The markets have reacted negatively to continuing uncertainties about political support for the government's budgetary plans, which are not yet fully known. The lira has also been affected by a knock-on effect from the peso crisis. But yesterday a new element emerged in the form of fears about a return of inflation. Preliminary figures for consumer prices in Italy's major cities for February showed a jump in the annualised rate of inflation from 3.8 per cent to 4.3 per cent.

Although these figures always differ slightly from those released subsequently by Istat, the state statistics institute, the differences are never great.

The sharp rise in February, especially notable in the city of Bologna, was attributed to increases in the cost of utilities and transport. But imported inflation caused by a weakening lira also contributed to the rise.

The Bank of Italy's defensive move last night came without warning. But Mr Antonio Fazio, the governor, has frequently warned that he would be obliged to raise the discount rate to defend the currency.

Mr Dini has pledged to come up with full details of his budgetary measures by the end of the week.

Bonds, Page 30; Currencies, Page 31; World stocks, Back Page Section Two

Unilever writes off $88m for detergent debacle

By Roderick Oram in London and Ronald van de Krol in Rotterdam

Unilever's debacle last year over its Power detergents was "the greatest marketing setback we've seen," Sir Michael Perry, chairman of its UK arm, said yesterday as he announced a £57m ($88.4m) stock write-off.

The write-off, which attempts to close an unhappy chapter in the history of the consumer goods group, includes surplus detergent stock, ingredients and packaging.

"The lessons have been learned and internal processes reviewed," Sir Michael said at a London press conference. "The quest for innovation and technologies will not be deterred by this experience."

Analysts pointed out that Unilever was also taking a £42m extraordinary charge to restructure its detergents business in addition to the write-down of stock.

The charges were symptomatic of the continuing problems Unilever has with detergents, one of its core businesses, said Mr David Lang, an analyst with Henderson Crosthwaite.

"In the US and Europe they barely broke even after these charges on almost £1.7bn of laundry detergent sales," Mr Lang estimated. "They have to rebuild sales volume and lower their overheads."

But with detergents worldwide only accounting for a fifth of the group's activity, it was able to announce a 4 per cent rise in 1994 pre-tax profits to £2.43bn before exceptionals on sales up 6 per cent at £29.7bn.

After launching Persil Power in the UK and Omo Power in mainland Europe last spring, Unilever discovered that its controversial manganese catalyst reacted adversely to a small range of dark dyes. In extreme cases, garments were faded and weakened by the catalyst.

Procter & Gamble, Unilever's US rival, campaigned energetically against the product. Unilever reformulated the high technology product with a reduced

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Ukraine at odds with IMF over deal

By Matthew Kaminski in Kiev

An International Monetary Fund mission left Kiev yesterday without agreeing a $1.3bn stand-by agreement because of Ukraine's reluctance to liberalise its export laws.

But an IMF official was "optimistic" that the issue could be resolved in time for Ukraine to mobilise external financing support at a donors' meeting in Paris on March 21.

Last autumn Ukraine removed quotas and licences, only to replace them with a cumbersome export registration scheme.

Last month it also proposed to prohibitively tax barter trade and put other goods besides grain on the quota restrictions list.

Unlike Russia, also involved in stand-by talks with the IMF, Ukraine does not have the entrenched oil and gas interests opposed to free exports. The resistance appears to be centred within the ministry of foreign economic relations, headed by Mr Osyka.

In Ukraine, trade restrictions are justified by the need to prevent the country falling foul of anti-dumping rules and to curtail capital flight approaching $15bn via barter trade.

But the export regime undermines Ukraine's efforts to earn hard currency on its own, just when western governments are being asked to cover an external financing gap approaching $5bn this year.

Mr Anders Aslund, economic adviser to the Ukrainian government, said the proposal to undercut barter trade might slash exports by 30 per cent this year since enterprises lack liquidity to trade by other means.

Mr Anreas Gummich, vice president at Deutsche Bank Research, which five years ago said Ukraine had the most potential of any Soviet republic, also noted the depressed country – once a large consumer goods supplier – is losing market shares in central European and former Soviet states by the day.

He added that export liberalisation is needed to boost foreign direct investment above the paltry $366.9m and raise the ratio of exports to GDP above 10 per cent, which will improve the country's ability to import.

The other crucial issue, the budget, was provisionally approved with the IMF. Ukraine agreed to cut the deficit to 5 per cent of GDP – 4 per cent covered by inflationary means. The revenue side was set early this year and expenditures came broadly in line last week.

But a final version must clear the cabinet, replete with recalcitrant ministers, and pass parliament. Some western economists remain sceptical on whether the spending needs of Ukraine's vested lobbies, mainly agriculture, can be checked.

Parliament last week approved a 10m tonne state grain order and earlier released 25,000bn karbovanets ($214m) from the budget after two months of monetary rectitude, heightening concern that sector-specific emissions could again stoke inflation.

"Ukraine is at a critical juncture on these two issues," a western economist said.

"The decision must come from the top. Trade is the toughest. It's really a question of who has President Kuchma's ear."

UK central bank governor doubts whether economic convergence can last

George sees jobs as key to Emu

By Peter Norman, Economics Editor

Mr Eddie George, the governor of the Bank of England, yesterday spelled out in detail his concerns that high unemployment in some European Union countries could lead to political and economic disharmony in a continent that is aspiring to establish economic and monetary union.

Although the governor's "Churchill Memorial Lecture" at the J P Pescatore Foundation in Luxembourg was cautiously phrased, he did not conceal his scepticism about a rapid move to Emu.

In particular, he expressed doubt over whether economic convergence, the pre-condition for monetary union, could be sustained in view of the high levels of structural unemployment in parts of the Union.

He noted that among the larger EU countries, unemployment rates at the end of last year ranged from 6 per cent in the western part of Germany through 9 per cent in the UK to respectively 11½ per cent and 12 per cent in France and Italy and 23 per cent in Spain.

In part, Europe's unemployment problem was cyclical although it was impossible to know how much in any particular country. This alone, he said, made the Maastricht treaty's convergence criteria, which specify low inflation, deficit and debt levels for aspirants to Emu, more difficult to interpret. But much of the present unemployment was "more fundamental" and "unlikely to be eroded by the present cyclical expansion" in Europe.

Although this structural element in unemployment was being dealt with through national policies and other measures "it will not easily go away", Mr George warned.

Mr George said it was possible that there would be signs of "real convergence" between some countries that would reduce the risk of tensions in a monetary union. But because prospects were so uncertain, it was difficult to know whether "nominal convergence" as defined by the Maastricht criteria would be sustainable, even if those criteria were rigorously applied.

'We should be confident that convergence is real and that it is sustainable before moving forward'

"Given the uncertainty, it cannot be excluded that resolution of the problem of wide differences in structural unemployment levels will ultimately require adjustments in relative real wages," Mr George said. "And given the real-world inflexibility of nominal wages, it cannot be ruled out that there will be a continuing need for exchange rate adjustment to help to bring that about".

Mr George said he was not suggesting that the Maastricht criteria should be changed. But it was important that "we should be confident that convergence is real and that it is sustainable before moving forward."

If the decision to go ahead with a monetary union were "fudged", the costs could be substantial. Mr George's caution about a rush to Emu is shared by some other EU central bankers, notably Mr Hans Tietmeyer, the Bundesbank president.

The governor also pointed out last night that the planned European central bank would have to set its monetary policy to maintain price stability in the monetary union as a whole. In the absence of exchange rate changes, there would be only two adjustment mechanisms to avoid long-term stagnation and unemployment in parts of the union that had not converged in a sustainable way.

These would be migration from areas of high unemployment to those of lower unemployment or larger fiscal transfers from countries with lower unemployment to countries where unemployment was higher. "Neither of these possibilities is particularly attractive," he said.

Outlining the grim outcome of a premature union, he said: "Either long-term stagnation in some countries or the rapid expansion of these adjustment mechanisms could become a source of political as well as economic disharmony."

G7 seeks right road to superhighway

By Emma Tucker in Brussels and Alan Cane in London

Business leaders, politicians and technology manufacturers are meeting in Brussels this weekend to discuss the global information superhighway. The talks will be accompanied by a display from the industry, showing the technology that will make it possible.

The information superhighway is a communications network capable of delivering a broad range of information-based services – text, graphics, video – to the home and office in an interactive manner.

While the meeting will be "a bit of a jamboree" according to one minister, it is also seen as an opportunity to make the public more aware of the possibilities springing from the impending explosion in on-line services.

Hosted by the European Commission, it will bring together ministers and business leaders from the Group of Seven industrialised countries. The speakers will include Mr Al Gore, US vice president, who is identified with the US commitment to establishing a national superhighway.

It is an advisory meeting rather than one which will end in binding resolutions. The aim, however, is to ensure that Europe, Japan, the US and Canada are working from the same blueprint for a global information society.

European Commission president Jacques Santer speaking yesterday about the superhighway Reuter

Mr Jacques Santer, EC president, warned yesterday however that the European Union – where basic telecoms services will not be fully liberalised until 1998 – had to ensure that it did not fall behind its competitors: "Europeans must be the drivers, designers, the constructors, content providers, repairers and financiers of the Global Information Society and not technology 'hitchhikers' in the wrong galaxy," he said.

Mr Martin Bangemann, the industry commissioner, has led a dogged campaign to speed up the liberalisation of Europe's telecoms services and infrastructures which remain largely under state control.

Yesterday, Mr Santer kept up the pressure. He said the decision to liberalise EU telecoms and infrastructure in 1998 was a "necessary but not sufficient step".

"I hope the G7 conference will highlight the other domains which are necessary to be completed in order to achieve the objective of a global information society," said Mr Santer.

Many in Brussels fear, however, that the meeting will amount to little more than a showcase for private industry's new products. They complain it will not tackle the difficult issues essential to a common approach to the information superhighway such as the interconnection of systems, the application of rules to prevent anti-competitive behaviour and the sensitive areas of privacy and security.

There are concerns, for example, that free trade, deregulation and competition are not sufficient in themselves to deal with difficult issues such as education in the new technologies and the danger of a gap between the developed and developing countries.

Neither the politicians nor the industrialists are underestimating the difficulties, however. Mr Lucio Stanca, chairman of IBM Europe, warned this week that an unprecedented level of partnership between the public and private sector will be required if the benefits of a true information society are to be realised.

Mr Ian Taylor, UK information technology minister, said he hoped the discussions would concentrate on how to use superhighways to benefit business and the community.

Kinkel urges EU to bury its doubts

By Michael Lindemann in Bonn

Mr Klaus Kinkel, the German foreign minister, yesterday launched himself into the debate about the future of Europe, demanding that members of the European Union look beyond the "garden fence of their national idylls".

Using strong language sure to arouse sharp reactions in Britain and France, he called for a "comprehensive renewal" of the EU institutions, including majority voting on foreign policy issues, and more powers for the European parliament.

He also demanded further moves to develop Europol, the European police co-operation agency, criticising national opposition to the project. "Jealousy between national security authorities and the paper tiger argument of sovereignty are proof of blinkered thinking, rather than of the capability to effectively combat cross-border crime," he said.

His declaration was issued as a definition of the German government's agenda for next year's inter-governmental conference (IGC) intended to update the Maastricht treaty.

Mr Kinkel said European companies could only match international competitors if further barriers were removed between the EU's 15 member states. "The debate is about Europe as a business environment," he said.

However, the prerequisite for any kind of prosperity is peace, he added, arguing that the only way to give the EU an active common foreign policy was to allow majority voting on foreign policy issues – anathema to the British government.

In a two-page statement Mr Kinkel also demanded greater powers for the European parliament, a body which the UK has resolutely tried to keep as ineffectual as possible. "We cannot act as if the institutions and mechanisms designed for six member states [in 1955] will function just as well with 15 or more." Mr Kinkel deliberately avoided the clear-cut language used by Mr Wolfgang Schaüble, the deputy leader of Chancellor Helmut Kohl's Christian Democratic Union who presented a landmark paper on the future of the EU last year, but his analysis reinforces Germany's determination to breathe new life into the process of European integration.

"We cannot allow the slowest wagon to determine the speed of the whole convoy," Mr Kinkel said, echoing words used by Mr Schaüble last September when he urged an inner core of five EU members to push ahead with monetary union so that the integration of Europe did not lose its momentum.

His call for further development of Europol amounts to a scarcely veiled attack on the French, who have hitherto resisted transferring significant powers to the new body.

"When crime syndicates are driving along the infobahn the village cop on his bicycle will always be on the losing side," he said.

Germany's governing coalition yesterday failed again to reach agreement on how to subsidise the loss-making coal industry, writes Judy Dempsey in Berlin. It is divided over whether the DM7bn ($4.5bn) in subsidies next year can be raised through savings from the budget or from an energy tax. The coalition also failed to agree on a proposals to reduce the tax burden for families, which the opposition Social Democratic party was yesterday quick to criticise. Ms Ingrid Matthaeus-Maier, SPD deputy parliamentary leader, said the minimum tax-free income proposed by the government for poor people was too low and the government had still not set out its proposals for assisting poor families with children. Mr Theo Waigel, finance minister, wants to raise the tax-free minimum income to DM12,095 for single people and DM24,191 for married couples.

French electricity plan heats up EU debate

France has provoked concern over competition in a liberalised energy market, report FT writers

Debate over the liberalisation of the European electricity market intensified yesterday with the publication of a study claiming that French proposals would inhibit the development of competition in the rest of the Union.

A report from National Economic Research Associates says France's proposal to create a national body to buy and sell all electricity and pass it on to distributors, allowing competition only between power producers, is at odds with the basic principles of Community law.

"Adopting the single buyer model would make it more difficult to achieve any transition to a competitive system at a later date," the report concludes. It could also "allow discrimination in favour of national suppliers or of the single buyer's own generation interests which is contrary to the objectives of the single market."

The report was commissioned by a group of UK electricity producers, including National Power and PowerGen. It comes just weeks before the publication of results from a separate inquiry by the European Commission, which for more than two years has been trying to win a compromise from member states over liberalising the market.

Brussels last year commissioned the inquiry, due out early next month, into whether the French proposal would offer similar benefits to its own plans to allow power companies access to other countries' transmission systems. Access to the transmission networks would have to be negotiated by companies on an individual basis, but would give customers a choice of power supplier.

The commission is also investigating whether the two systems could run in tandem. The UK report found that they were fundamentally incompatible.

Britain, which has one of the most competitive electricity industries in the world, has campaigned strongly in favour of Brussels' proposals.

The commission has also been backed by Germany, despite growing concern from industry there, particularly the gas industry, that negotiated access to transmission systems will not be based on reciprocity.

Many countries with heavily protected state-owned electricity industries, such as France, argue that allowing third-party access to networks could raise the danger that security of supply would be threatened. There are also fears, particularly in Italy, that large energy users might be picked off by foreign companies, leaving the national company with less profitable consumers.

The issue is of particular concern in Italy where Enel, the state-owned utility, is about to be privatised. Enel dominates transmission and distribution in Italy and is responsible for 80 per cent of electricity production. Within the past three months, there has been a change in the route Italy is likely to take to a liberalised market.

France argues that third-party access to transmission networks could endanger security of supply

Under a compromise forged last year by the Berlusconi government, Enel would have split its production activities from the rest of the group and sold part of its generating capacity within three years of privatisation. A new public authority would have taken control of "despatching" – regulating the transmission of electricity produced or imported into Italy.

Professor Alberto Clò, industry minister in the "technocratic" government which last month succeeded the Berlusconi administration, argues that adopting competition in supply and generation, as in the UK, could mean Enel would not privatised for three to five years.

Prof Clò wants a quick sale followed by careful regulation of competition in electricity generation. The change of approach has been criticised by free-marketeers, in Italy and Brussels, but the new minister, an expert on the economy of the energy industry, claims the English experience indicates that indiscriminate competition could lead to increased tariffs and problems with security of supply.

Meanwhile, Electricité de France, the French electricity monopoly, has sharply criticised the findings and working methods of the report commissioned by the British power utilities.

EDF said National Economic Research Associates did not as part of its work consult the individuals or organisations which had developed the "single buyer" proposal being considered by the European Commission.

It said the single buyer system developed by EDF was in line with European treaties designed to safeguard the long-term interests of consumers and meet a series of economic objectives.

EDF also stressed that its system helped promote independent energy production and had contributed to France's ability to become one of the most important exporters of electricity in the world.

Peggy Hollinger in London, Judy Dempsey in Berlin, Andrew Hill in Milan and Andrew Jack in Paris

EUROPEAN NEWS DIGEST

Irish Steel seeks rescue package

The Irish government is to seek European Commission approval for a I£50m ($77m) rescue plan for Irish Steel, the government's loss-making Cork-based steel company, it announced yesterday.

However, the British steel industry has said it will take the issue to the European Court and the British Department of Trade and Industry is understood to be monitoring the development. However, Irish officials expect Brussels to take a sympathetic view of the rescue package, when it is discussed at a council of ministers meeting in April.

Mr Richard Bruton, the Irish enterprise and employment minister, said the government had given formal endorsement of the rescue plan and approved the company selling shares to a foreign partner as part of the package. Talks are under way with Riva of Italy and North Star of the US. The package includes the provision of a I£40m grant and I£10m in loan guarantees. Irish Steel has made successive losses. The rescue plan, drawn up by the new chairman, Mr Pat Dineen, envisages putting the company back into profit by 1997. The company has already won union backing for labour restructuring. *John Murray Brown, Dublin*

Bosnia arms embargo 'broken'

The Moslem-led Bosnian army is believed to have received air drops of weapons in flagrant violation of the UN arms embargo, UN officials and diplomats said yesterday. On the nights between February 10 and 12, UN observers in north-eastern Bosnia spotted the flights, including what appeared to be a C-130, a large cargo aircraft, escorted by a fighter jet to Tuzla, the second biggest Bosnian enclave. UN officials said they believed the weapons were dropped by parachute – a technique used mostly by US, UK and French troops. In an another sign of possible outside involvement, US jets were the only ones monitoring airspace at the time. Nato did not report any violations of Bosnian airspace. A UN no-fly zone over Bosnia went into force in October 1992. Since then, more than 5,000 violations by all sides have been reported. The latest incident has sparked another row between the UN and Nato. UN officials, speaking on condition of anonymity, said Nato was trying to cover-up the illicit flights. Nato, on the other hand, has accused the UN of inaccurate reporting. *Laura Silber, Belgrade*

Nato begins exercise in Norway

Exercise "Strong Resolve", Nato's first important northern flank military manoeuvres since the end of the cold war, has begun in Norway's Trondelag region, with 30,000 multinational soldiers, 375 aircraft and up to 90 allied and Norwegian ships. The manoeuvres are the first to be launched in Norway since the Nato command headquarters was moved from Oslo to High Wycombe in Britain last year, which prompted fears in Norway that it would be overlooked under the new regime. According to officials, the object of the Strong Resolve exercise is for joint forces from 12 Nato countries to practise all elements of modern operations, including air defence, and amphibious, naval and ground support. In Trondelag, the Strong Resolve "war game" pits "White Land", the enemy, against "Green Land" in which White Land is seeking to gain control over Green Land's resources. Green Land calls for UN and Nato support. On March 1 US, Dutch and British main amphibious landings will be staged, with the exercise being wound up by March 18. Before being reorganised, Nato staged three exercises every two years but has cut back to two exercises, alternating between one small and one large, every two years. *Karen Fossli, Oslo*

Hungarian privatisation chief

The Hungarian government has nominated Mr Tamas Suchman, a prominent Socialist member of parliament, as privatisation minister, ending weeks of wrangling over the new post within the Socialist-Liberal coalition. The Free Democrats, the junior coalition partner, said they did not support Mr Suchman's appointment but had agreed to it to reduce tensions within the government. The creation of the post – which comes without a ministry – was the main reason for the resignation last month of Mr Laszlo Bekesi, the reformist finance minister, who said privatisation should remain the responsibility of his ministry. The Free Democrats had held out for a politically independent, English-speaking candidate with international business experience. Mr Suchman, a 40-year-old lawyer and banker who has been a Socialist MP since 1990, comes to the post from Budapest Bank, a large commercial bank, where he served under Mr Lajos Bokros, who is due to replace Mr Bekesi as finance minister on March 1. *Virginia Marsh, Budapest*

Polish rate rise attacked

Mr Grzegorz Kolodko, Poland's foreign minister, yesterday criticised the decision of the National Bank of Poland (NBP), the central bank, to increase basic interest rates for the first time in three years. Mr Kolodko said the move, which brought the key rediscount rate up from 28 per cent to 31 per cent, would harm investment and hurt the stock market. Yesterday the exchange's main WIG indicator fell by 4.9 per cent. Ms Hanna Gronkiewicz Waltz, the central bank chairman, said on Monday that an unexpectedly high 3.9 per cent inflation rate in January meant interest rates had to be increased to encourage saving. *Christopher Bobinski, Poznan*

Mafia murder trial opens

The trial opened yesterday of 41 people accused of being involved in the assassination of Mr Giovanni Falcone, the leading anti-mafia judge, along with his wife and three bodyguards near Palermo in May 1992. Among those in the dock are Salvatore ("Toto") Riina, the acknowledged boss of *Cosa Nostra*, the umbrella organisation of the Sicilian mafia, who is alleged to have ordered the killing. The murder of Mr Falcone, by detonating a huge remote controlled explosive device under his car as it was leaving Palermo airport, marked a turning point in the state's fight against the mafia. This fight was further emphasised yesterday by the arrest in Catania of Mr Giovanni Cannizzo, a businessman alleged to have been chief banker for the Sicilian mafia. *Robert Graham, Rome*

ECONOMIC WATCH

Richest and poorest EU regions

Twelve regions of the 15 European Union states have a GDP per capita of less than half the EU average, Eurostat reported yesterday. Based on 1992 data, the EU statistical office calculates that no region in Greece or Portugal reaches the EU average and only one does in Spain, the Balearics. Five east German states are also under half the EU average. Seven regions are more than one-and-half times the EU average: Hamburg (196), Brussels (174), Darmstadt (174), the Paris region (169), Vienna (166), Bavaria (157) and Bremen (155). Eurostat also reported yesterday that industrial production in the EU rose by a seasonally adjusted 0.3 per cent in the period September to November 1994 compared with the previous three months. The strongest growth was in Germany (0.7 per cent), the UK (0.5) and France (0.4). Portugal (-0.8), Denmark (-1.2), Greece (-2.1) and Italy (-2.2) suffered a decline in industrial production. Yesterday, France reported that industrial production rose ahead of expectations by 0.8 per cent in December, driven by a 0.9 per cent increase in manufacturing output. The jump in manufacturing production was down compared with the increase in the previous month of 3.2 per cent, but represented an increase of 10.8 per cent for 1994 year-on-year compared with 1993. Also yesterday it was reported that Sweden's industrial production rose 1.8 per cent in December from November and 15.7 per cent year-on-year.

■ Consumer prices in Sweden rose 0.7 per cent in January and were up 2.9 per cent in the 12 months to January.

■ Switzerland's trade surplus rose to SFr686.4m (£341.4m) in January from a revised SFr64.4m surplus in December.

NEWS: EUROPE

French plan may end row over animals

By Caroline Southey in Brussels

The French presidency of the EU yesterday tabled complex draft proposals on the transport of live animals across the union in a bid to break an 18-month deadlock among agricultural ministers.

Mr Jean Puech, French agriculture minister, reconvened a full meeting of the 15 ministers yesterday afternoon to discuss the draft in a final attempt to draw compromises from member states.

Initial reactions suggested the proposals had failed to bridge the gap between northern and southern states. A British spokesman said the proposals did not go far enough although they formed the basis for further discussion. "There are too many journeys and they are too long," he said.

Britain and Germany, under pressure from animal welfare activists, have sought a pan-European limit in the journey time for live animals.

Southern member states, which are large importers of live animals, expressed reservations about the proposals because the restrictions were too great. "For them the rest periods are too long," a French official said, noting Portugal especially feared curbs because of the long distances from its prime markets.

The French draft introduced the principle for the first time that conditions for transporting live animals should be tailored for three categories of animals.

Under the proposals, unweaned calves, lambs, kids and piglets would be given a two-hour rest period for watering after eight hours' travel. They could then be transported for another seven hours after which they would have to be unloaded and given milk feed. The same pattern could be repeated once the animals had been rested for 12 hours.

Cattle, sheep and goats would have a two-hour rest and be watered after every eight hours up to a limit of 24 hours' transport. The cycle could be repeated if the animals were unloaded for 12 hours. Pigs would be watered, but not unloaded, every eight hours up to a limit of 24 hours of transport. This time-period would be extended for pigs travelling in vehicles with air-conditioning and automatic watering equipment.

Mr Franz Fischler, EU agricultural commissioner, who has supported France in its efforts to end the deadlock, said he was prepared to take on board the French proposals.

Officials said Mr Puech, who has invested a large amount of political capital in trying to *find an agreement, was com*mitted to continue talking to ministers until an agreement was found. Mr Ivan Yates, Irish agriculture minister, backed the compromise because the issue was interfering with Irish meat exports.

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Tapping case bugs Balladur campaign

The French PM and Pasqua are rattled by phone scandal, writes **John Ridding**

"This is nothing like Watergate", Mr Edouard Balladur declared angrily yesterday. But the wire-tapping scandal to which he referred has become a serious concern for the French prime minister, compounding a decline in support and threatening his presiden*tial campaign.*

The affair, which centres on a complex probe into fraud and political corruption, has dragged the prime minister and Mr Charles Pasqua, his powerful interior minister, into the political firing line. It comes as a series of polls show a narrowing of the prime minister's is being caught by *his principal rivals in the race* for the Elysée.

Mr Pasqua, the bluff, tough interior minister, is in many ways the opposite of the urbane Mr Balladur. As a result, he brings the prime minister charisma on the campaign trail and delivers right-wing and traditional Gaullist supporters. Now, however, Mr Pasqua's intelligence services have helped push the premier into a political storm.

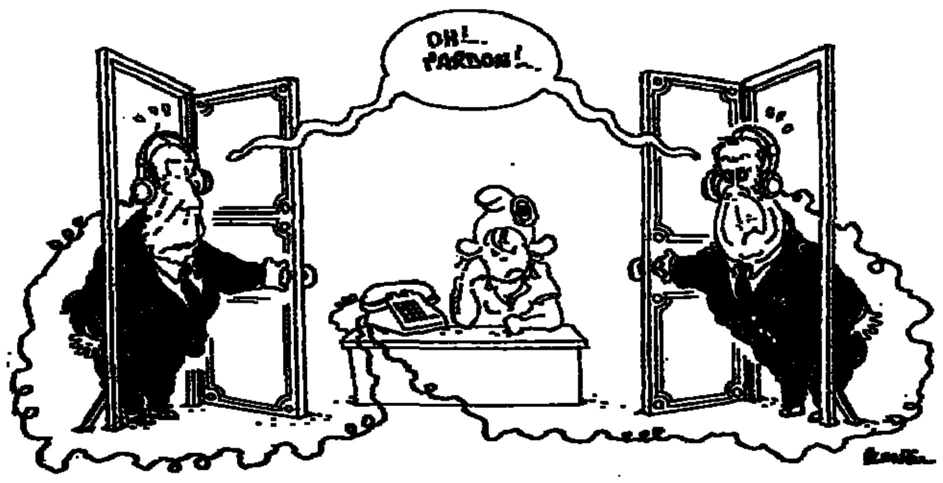
It was at the request of the police forces under Mr Pasqua, that the prime minister's office granted approval to tape the telephone conversations of Mr Jean-Pierre Maréchal, a Paris psychiatrist and father-in-law of Mr Eric Halphen, one of France's best known anti-corruption judges.

Mr Halphen is heading a case into alleged corruption at Mr Balladur's Gaullist RPR party, focusing on illicit payments for public housing contracts. Mr Didier Schuller, a local Gaullist politician and one of the suspects in the case, told investigators that Mr Maréchal was offering him *FFr1m (£120,000) to get his* son-in-law to drop the case. The police then tapped Mr Maréchal's telephone, arresting the doctor last December at Charles de Gaulle airport as he accepted a box containing money from Mr Schuller.

The sensitivity of the case is partly related to the political nature of the corruption investigation. Lawyers involved in the so-called "Maréchal-Schuller affair" believe police sympathisers of the RPR party were seeking to discredit Mr Halphen so he would be removed from the case. The investigation into the RPR party would then have been delayed until after the presidential poll to allow for the appointment a new magistrate.

But it is the management and legality of the telephone tapping which has prompted the political drama. Earlier this month, a court dismissed the evidence against Mr Maréchal and ruled the bugging was illegal. But as recently as Sunday, Mr Balladur defended the tapping, claiming that the procedures had been regular and legitimate.

Such claims, however, came under immediate fire. The head of the watchdog committee which monitors telephone tapping stated that, under a 1991 law, emergency bugging procedures in extortion cases are legitimate only if organised crime gangs are involved. Rivals from across the political spectrum weighed into the attack.



How Le Monde saw it: Mitterrand, left, and Pasqua get their wires crossed to the annoyance of Marianne, symbol of the French republic

Mr Balladur hastily backtracked. Aides sought to deflect responsibility, claiming they had been misled by police who had indicated that an organised gang was behind the alleged extortion attempt. Emergency surveillance procedures were suspended. The police chief responsible for the operation resigned.

But damage has been done. "The events suggest confusion within the government at best and some pretty murky deeds at worst," said one political commentator. He added that the affair was a particular blow for Mr Balladur because he had strived to remain aloof from a series of corruption scandals which have rocked French business and politics over the past year.

Some observers suggested the arcane nature of the case might limit the political cost and voters might be unmoved. "The French are less puritan and more pragmatic when it comes to scandals," said an economist.

But political opponents seized on the issue. "It is a serious affair because it reaches right to the prime minister by way of the interior minister," said Mr Henri Emmanuelli, the leader of the Socialist party. The Socialists and the extreme right National Front said Mr Pasqua should resign if he was found responsible for malpractice.

Mr Balladur came to Mr Pasqua's defence. "He is a very good minister who has my confidence," said Mr Balladur. But he added that he would study all the evidence concerning the case.

The affair has undermined Mr Pasqua's hopes of being appointed to the premiership should Mr Balladur win the election in the spring. It may yet prompt a rift between the prime minister and one of his key allies in the contest.

The French press was forthright. "Balladur: how to get rid of Pasqua," said Libération, the left-wing daily, in a headline.

Describing the issue as an administrative problem, not an affair of state, Mr Balladur counter-attacked. He claimed that an on-going probe into wire-tapping by Elysée officials presented a better comparison with Watergate. Last year, the French judiciary opened an investigation into aides of Socialist President François Mitterrand who are suspected of organising wire-tap surveillance of politicians, journalists and lawyers in the mid-1980s.

In a bizarre twist on Monday, the daily Le Monde reported that officials in Mr Pasqua's office had their telephones tapped before the 1986 general election.

The interior minister, now on the other side of the fence, is seeking to play down the issue. "These are little petty events," he said while attending a campaign rally in Marseilles. It is unlikely that Mr Balladur sees it that way.

Spanish court overturns ruling on secret funds

By Tom Burns in Madrid

Spain's supreme court has delivered a blow to Prime Minister Felipe González's government by forcing officials to reveal whether secret interior ministry accounts were used to fund a covert anti-terrorist war fought by mercenary death squads in the mid-1980s.

The decision by three senior Madrid *judges will allow further investigation* into the 'dirty war'. Investigating magistrates have already remanded in custody several top former officials in connection with the case.

Mr Alfredo Pérez Rubalcaba, cabinet spokesman, denied yesterday that the supreme court's judgment could prompt a government crisis and the ruling socialist party, backed by its Basque and Catalan nationalist party allies, resisted an opposition demand for Mr González to answer questions about the issue in parliament today.

The ruling, however, will trouble the administration. The supreme court created a new jurisprudence by ruling that officials are required to give evidence on secret funds pay*ments when an investigating court* has reason to believe such funds were used in pursuit of criminal activities.

Officials will no longer be able to cite reasons of state security when refusing to answer court questions on secret payments to GAL. By overruling previous judgments, the supreme court has placed a potent judicial weapon in the hands of Judge Baltasar Garzón as he investigates the government's alleged connection to Gal, the name given the death squad.

Attempts by Judge Garzón to link

> Government officials will no longer be able to cite reasons of state security when refusing to answer court questions on secret payments to GAL

directly the interior ministry to some 26 murders committed by Gal between 1983 and 1987 in south-west France, then a safe haven for Eta, the Basque terrorist organisation, have so far been blocked by the government's refusal to divulge details over secret funds.

The ruling was contained in the supreme court's rejection of an action brought against Judge Garzón by Mr Rafael Vera, director-general of state security between 1982 and 1994, after the Judge had ordered the arrest on remand of his former private secretary in January. Mr Vera had alleged that his subordinate was being pressured by the Judge's questioning into revealing state secrets.

At the end of last week Mr Vera became the latest, and to date most senior, former interior ministry official to be remanded in custody by Judge Garzón. He is accused of having used secret funds to finance Gal and of arranging for Swiss bank accounts to be opened for two former police officers, sentenced in 1991 in connection with the death squads. Mr Vera has refused to discuss secret funds and denied any involvement with Gal.

A former secretary-general of the Basque branch of Mr González's socialist party has also been remanded in connection with the case.

NEWS: INTERNATIONAL

Uncertain impact of financial rand's demise

Mark Suzman reports on the likely effect of removing South Africa's special currency

At frequent intervals over the past year, expectations of the imminent scrapping of South Africa's two-tier currency system have sent Johannesburg dealers into a frenzy as speculators poured into the market hoping to reap huge short term profits by second guessing the government and the Reserve Bank.

Each time, however, they have been disappointed as financial authorities insisted that the time was not yet ripe and have retreated to wait for a more opportune moment to try again.

But as Mr Chris Stals, the Governor of the Reserve Bank, noted at a media briefing yesterday, given the government's explicit commitment to scrap the currency, at some stage the speculators are going to strike lucky.

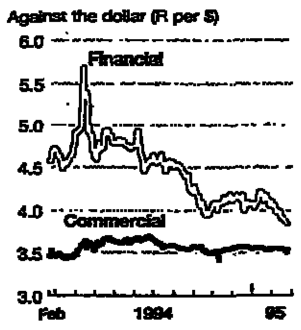
More notably, Mr Stals's statement that, as far as he was concerned, the economic preconditions were now in place to get rid of the investment currency, gave further impetus to the belief that that time is imminent.

In response to his comments, the gap between the financial and commercial rands plunged to a low of 7.2 per cent and there is a widespread expectation in financial markets that the currency's demise will take place soon. "The markets are now expecting it to happen some time in the next month either before or after the [March 15] budget," says Mr Willie Potgieter, assistant general manager for foreign exchange at Standard Bank.

In making his statement, however, Mr Stals has, in his own words "passed the buck back to the government." The abolition of the financial rand was, he said, a political decision that should be made by politicians, not central bankers. It is now up to President Nelson Mandela's African National Congress-led administration to determine when to make the move that virtually all economic analysts in and out of the administration agree is necessary if South Africa is to attract the large sums of foreign capital it so desperately needs.

Rand

Against the dollar (R per $)



Source: FT Graphite

The problem is that, although economists agree that in the long run the decision will prove beneficial to the South African economy, no one is sure of the short-term effects.

Although Mr Stals has been talking optimistically of a rise in the value of the rand following the establishment of a single floating currency, most economists believe that its new value will settle somewhere between the former commercial rand and financial rand levels.

Either way, foreign holders of financial rands will be able to net an instant profit on the anticipated currency appreciation and many are likely to withdraw their money immediately.

The Reserve Bank has long been prepared for the departure of most of the financial rands held in liquid bank deposits by investors, an amount estimated at about R5.5bn. But while this sum will be easily met by the Bank, which has more than R20bn at its disposal through existing reserves and international credit lines, the danger is that many of the holders of gilts or equities will also depart.

Although no accurate figures exist, Mr Jonathan Garner of the London School or Economics estimates this pool to be between R60bn and R120bn. Some of these investors, who had initially been attracted by the higher returns offered through investment via the finrand, will almost certainly sell up, but it is impossible to tell how many.

Privately some government officials admit that their research indicates the most likely figure for short term capital outflows to be between R10bn and R20bn, a sum which they hope would soon be offset by new capital inflows. If the sum proves to be greater than this, however, then the Bank will be forced to raise interest rates sharply, a move which could well cripple the burgeoning economic recovery and prove politically and economically destructive – a possibility which is causing some cold feet in the cabinet.

In the final analysis, however, as Mr Chris Liebenberg, the finance minister, has repeatedly insisted, the potential benefits of scrapping the currency far outweigh the potential risks. If the cabinet continues to hold out against the move even after the Reserve Bank has pronounced the economy healthy enough to freely compete for capital in global markets, it will run the risk of damaging its hard won economic credibility.

Stals: It's up to the politicians now — Glyn Genin

Joblessness is worst since '30s, says ILO

By Robert Taylor, Employment Editor

Thirty per cent of the world's workforce – some 820m people – are unemployed or under-employed, the highest figure since the Great Depression of the 1930s, according to the International Labour Organisation in its first annual employment report, published today.

"The present situation is both morally and economically irrational. It is creating an enormous waste of resources and deepening human suffering," says Mr Michel Hansenne, director-general of the United Nations agency in an introduction. A full employment commitment would provide a "common vision to inspire action".

"A defeatist attitude on full employment risks becoming a self-serving prophecy", he adds. "The relative neglect of employment issues (as opposed to inflation and industrial productivity) has gone too far."

While the ILO accepts "the maintenance of an open and efficient global economic system" must be the "basic objective" of international action and argues strongly against trade protection, it insists "the social dimension" cannot be ignored.

The report challenges the views of other international bodies such as the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank. The ILO secretariat believes they downplay the gravity of the global unemployment crisis. It will be debated at the world social development summit in Copenhagen next month.

Its arguments reflect the views of a number of academic labour economists and of Mr Robert Reich the US labour secretary, the European Commission's social affairs directorate and the international trade union movement.

The report endorses trade liberalisation and the world trade deal reached under the General Agreement on Tariffs and Trade, international co-operation to stabilise financial markets and government investment promotion policies.

It calls for the adoption of "more open export-oriented economic policies that will guide production and trade towards activities in line with a country's comparative advantage." The "artificial promotion or protection of activities which have no hope of becoming internationally competitive" should be avoided.

But it rejects "pure *laissez-faire* policies" as well as "the failed policies of classical import substitution".

The report backs government-based adjustment programmes which allow sufficient time for adaptation to change and minimise social unrest. It also favours cuts in non-wage labour costs such as payroll taxes and social security benefits, particularly for low paid workers as well as incentives to encourage the long-term jobless back to work.

It also argues that labour market rigidities in western Europe are not the main reason why its unemployment rates are higher than those in the more deregulated US.

High unemployment in industrialised countries is blamed on "a persistent inadequacy of economic activity for 20 years" due to "the lack of co-ordination" and the "deflationary bias of European economic policies".

It agrees "excessive" pay rises contributed to rising European unemployment between the first oil shock of 1973-1974 and the mid-1980s but this "no longer appears to be true".

"It cannot be said the level of wages continues to be a significant problem and indeed their reduction would only have a meagre impact on unemployment.... Wages across countries only marginally adjust to changes in unemployment and not in a way that would clear the market."

It also says "at best the evidence is unclear" that decentralised pay bargaining provides greater flexibility in real wage adjustment. In the UK, it says, "real wages have risen faster than productivity growth and aggregate employment has not increased, in spite of the decline in union density and decentralisation of pay bargaining.... The fact that three of the world's most successful economies – the US, Japan and Germany – all have vastly different levels and coverage of bargaining and union density undermines the case for the superiority of decentralised systems," it says.

Most evidence on the imposition of a national minimum wage has an "insignificant" impact on aggregate employment levels in industrialised economies. It questions whether high unemployment benefit paid out in western Europe for long periods has much impact on the jobless numbers.

The report favours "appropriate labour market regulation", arguing employment security measures "increases the propensity of firms to train and the willingness of workers to invest in upgrading their skills".

"Rules that protect the income and employment security of workers can increase productive efficiency by creating incentives for competition to occur more through product market innovation and market strategy.

Obtainable from the ILO office, Vincent Square, London SW1 2NB, £12.00

INTERNATIONAL NEWS DIGEST

Call to suspend talks with Israel

A senior pro-peace leader of the Palestine Liberation Organisation yesterday called for suspension of peace talks with Israel, reflecting the growing lobby inside the PLO against continuing the current process. Mr Yassir Abed-Rabbo said the talks should be suspended to allow other countries to participate in negotiations in order to revive the moribund peace process. Mr Abed-Rabbo is close to PLO chairman Yassir Arafat and has so far been a vital element inside the PLO in backing Mr Arafat's peace gambit. His remarks reflect deepening opposition within PLO ranks to continuing the process.

Three other members of the executive committee who have backed the process – Mr Farouk Kaddoumi, Mr Suleiman Najjab and Mr Mahmoud Abbas (Abu Mazen) – are not attending the meeting in protest at the way Mr Arafat has handled the negotiations with Israel and the way the self-rule agreement has turned out in the Gaza Strip and West Bank. *Julian Ozanne, Jerusalem and Shahira Idriss, Cairo*

Low turnout mars Kyrgyz poll

The second round of elections for Kyrgyzstan's parliament filled only two-thirds of its 105 seats, leaving the body still unable to begin work, election officials said yesterday. Low voter turnout and errors in Sunday's elections left 27 seats vacant, the Central Election Committee in the capital Bishkek said. Turnout fell below 50 per cent in some regions, invalidating balloting. Overall, only 61 per cent of registered voters went to polling stations. The elections were called by President Askar Akayev last September following the dissolution of the old parliament. Since then, the president has ruled by decree and will continue to do so until the new parliament is in place. The next round of elections will be held in two months. *AP, Bishkek*

Saddam 'still has missiles'

Iraqi President Saddam Hussein is still concealing long-range missiles and chemical and biological weapons from UN inspectors, General Wafiq al-Samra'i, who defected late last year, said yesterday. In an open letter to UN envoy Rolf Ekeus, who is in Baghdad this week, the general said Saddam had retained long-range Scud and al-Hussein missiles. *Reuter, Nicosia.*

Israel reduces interest rates as anti-inflation policies start to bite

By Julian Ozanne in Jerusalem

Israel lowered interest rates yesterday for the first time in more than a year, signalling confidence that anti-inflationary policies are beginning to show signs of modest success.

The Bank of Israel cut its key lending rate to commercial banks by 0.7 percentage points from 17 to 16.3 per cent, the first interest rate reduction after seven consecutive hikes in 1994.

The Israeli treasury, which has piled pressure on the central bank to cut rates substantially, welcomed the move as "the beginning of a process of lowering interest rates, which is essential for the stability and growth of the economy."

But share prices in Tel Aviv fell, reflecting disappointment in the market about the size of the cut. The Mishtanim index of the top 100 blue chip companies fell 1.5 per cent to close at 157.29 points. Businessmen and manufacturers also said the cut was insufficient to avoid economic slowdown and restore export competitiveness.

Mr Jacob Frenkel, central bank governor, said last month's 0.2 per cent increase in the consumer price index and evidence of slow growth of monetary aggregates had allowed the bank to make yesterday's move. But he said it was too early to declare victory against inflation, which last year reached 14.5 per cent.

He described the rate cut as merely a modest realignment of nominal rather than real interest rates.

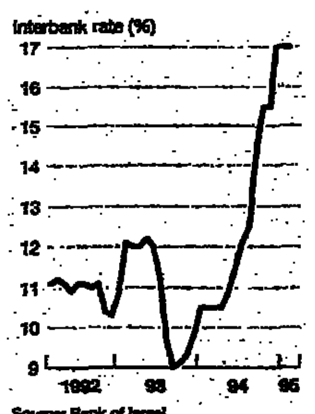
The governor said if the bank continued to receive firm evidence of a downturn in inflation consistent with a target of 8-11 per cent this year he would further reduce rates later. But he warned: "The disinflation policy is a long effort and must be considered as a permanent way of life."

Israel's business community reacted negatively. Mr Danny Gillerman, chairman of the Israel Chamber of Commerce, said the move was "too little and one must hope its not too late." Mr Gillerman, who has demanded a cut of 2 per cent, said the Bank of Israel's monetary policy had caused chaos in the money market and warned of economic stagnation.

Mr Dan Propper, Chairman of the Israel Manufacturers Association, said he viewed Mr Frenkel's modest rate reduction with "worry" and said it was insufficient to restore company profitability or make a dent in the trade deficit.

Israel

Interbank rate (%)



Source: Bank of Israel

Poor nations rally to Unctad defence

By Frances Williams in Geneva

Developing countries have rallied to the support of the United Nations Conference on Trade and Development, the principal UN forum for discussion of development issues, after suggestions it should be abolished in the interests of streamlining the UN system.

The report of the Commission on Global Governance presented to the UN last month called for a review of Unctad's role – and that of another UN agency, the UN Industrial Development Organisation (Unido) – as part of proposals for a new UN Economic Security Council.

Subsequently, Mr Karl Theodor Paschke, head of the UN's Internal Oversight Services, said he intended to carry out such a review, adding that Unctad had lost a large part of its mandate to the new World Trade Organisation.

This is refuted by the Group of 77 developing countries, which has told Mr Boutros Boutros Ghali, UN secretary-general, that it wants Unctad's activities reinforced. At a news conference yesterday, Ambassador Guillermo Alberto Gonzalez of Colombia, chairman of the G77 in Geneva, said Unctad's work complemented that of the WTO, which is more narrowly concerned with trade issues.

Apart from trade-related activities, Unctad's work includes aid and debt policies, multinationals and foreign direct investment, privatisation, technology transfer, commodities and development in the world's poorest countries. The organisation, which has a regular annual budget of $55m (with another $20m earmarked for technical co-operation), employs about 440 people.

NEWS: WORLD TRADE

Indonesia minister seeks showcase credit boost

By Manuela Saragosa in Jakarta

Mr B J Habibie, Indonesia's minister for research and technology, yesterday said several of the country's showpiece high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and required sizeable export credits to compete on foreign markets.

Mr Habibie, said IPTN, with which he is closely identified, and its sister ship-building company PAL, were both facing losses, though he did not say how large these were.

"If we have to sell all our products on cash-and-carry terms, how can we compete with foreign or domestic producers which offer credit facilities for buyers?" he said in a report carried by the official Antara news agency. Most big capital goods are sold on the basis of credit, he said.

His comments come ahead of his meeting with Mr Sudradjad Djiwandono, governor of the central bank, and Mr Mar'ie Muhammad, minister of finance, to ask for a study into making state funds available for export credits. "If the results of the study show that an export credit scheme will burden the state's finances then let us close down the industries," he said.

Over the past 18 years, the government has invested nearly $1bn in IPTN, which is currently looking to set up a $100m joint-venture in either Alabama or Georgia in the US.

Mr Habibie, a controversial technology enthusiast, has been at loggerheads before with Mr Mar'ie Muhammad. Last year, Mr Muhammad slashed by two thirds the $1.1bn in state funds made available for upgrading and buying a fleet of 39 east German warships, a purchase which was organised by Mr Habibie.

Mr Habibie was also allegedly behind a presidential decree last year to divert about $200m from a reforestation fund to IPTN, causing an outcry from environmentalists.

The minister has also been criticised by the World Bank, which said Indonesian government would do better to invest money in sectors where profitable returns are more certain and which can absorb the 2.5m new workers who enter the domestic workforce every year.

IPTN and PAL are grouped under the Agency for Management of Strategic Industries, which includes other companies specialising in electronics, weapons, explosives and telecommunications.

US indicates support for proposed talks on OECD investment treaty

By Nancy Dunne in Washington

The US has signalled its backing for negotiations over a multilateral investment treaty to be launched in May at the next ministerial meeting of the Organisation of Economic Co-operation and Development.

The time appears to be ripe for such a treaty: the global shortfall of investment capital could push some countries to liberalise more swiftly than could ever have been expected.

Such a treaty is one vehicle for meeting concerns about endless trade disputes and the broader transatlantic relationship. The Clinton administration, which has made trade and investment a high priority in its relations with developing countries, is now targeting the EU, still its largest export market and fastest-growing one for high technology product.

"The US and Europe need a more far-reaching vision of their intertwined future than now exists," said Mr Jeffrey Garten, the US Commerce undersecretary for international trade, in a speech last year. "The vision must go beyond the platitudes of more co-operation, and beyond the efforts to deal with a series of agenda items, important as these are."

Sir Leon Brittan, the EU trade commissioner, last month called for a strong treaty which would give companies access to a fully convertible currency, allow them to repatriate their profits, and leave them free from "unduly onerous performance requirements".

The OECD, he said, should certainly be given a mandate to pursue an investment treaty. "But it is only worth issuing such a mandate if we are all agreed 'up front' that such rules would be more binding than some past OECD rules, and would have fully effective enforcement procedures."

Preliminary analysis for an investment treaty has been under way since a feasibility study was ordered in the OECD 1991. Five OECD working groups have been examining the proposal and are expected to produce a draft to be presented at the May 23 OECD meeting supporting the case for a treaty and requesting approval from member governments.

Global foreign investment is currently governed by a web of bilateral investment treaties, many of which are decades old. Business organisations, such as the European-American Chamber of Commerce, are pushing hard for a multilateral pact that would require countries to treat subsidiaries of foreign countries no less favourably than their own companies.

They want harmonisation of rules governing taxes and prohibitions on performance requirements, such as technology transfers and the export of intellectual property.

Multilateral investment rules for services were agreed in the Uruguay Round trade liberalisation talks of the General Agreement on Trade and Tariffs, but the Round is riddled with exemptions. Sir Leon has pushed for consideration of a new pact under the Gatt's successor body, the World Trade Organisation, but the US believes the same exemptions would be sought.

WORLD TRADE NEWS DIGEST

Microsoft starts China training

Microsoft, the US computer giant, yesterday launched a $1m scheme to train Chinese computer software engineers as part of its sales drive in China. The US company is giving top universities endowments to establish "Microsoft certified professional" programs as a means of strengthening its foothold in China.

The four universities selected for endowment include: the Institute of Software of the Chinese Academy of Sciences and Qinghua University in Beijing; Jiaotong University in Shanghai; and Guangzhou University.

The Microsoft courses have been sanctioned by China's Ministry of Electronics Industry (MEI) and the state education commission. Microsoft last December signed a memorandum of understanding with MEI to co-operate in software development. Personal computer sales in China are running at about 650,000 annually and virtually all PCs are equipped with Microsoft programs, the bulk of which are pirated. Network sales are expected to double this year. *Tony Walker, Beijing*

US lauds Beijing piracy efforts

Washington has been heartened by Chinese actions to crack down on intellectual property rights violations, but piracy remains rampant, Ms Charlene Barshefsky, deputy US trade representative, said yesterday. Speaking on her arrival in Beijing, she said that talks to avert a trade war had made some progress, but several important issues had yet to be resolved. *Reuter, Beijing*

Stretch Boeing 777 planned

Three Japanese aircraft manufacturers will start work this summer on developing a 450-seat stretch version of the Boeing 777 with Boeing of the US. Industry officials said yesterday the three companies, Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries, will send about 50 technicians to Boeing's factory in Seattle, Washington, in the next few months to assist with development. The new aircraft is expected to be ready for service in 1998.

The original Boeing 777 was completed last year and begins service in the spring. Several companies have expressed interest in the stretch version, which will have a longer fuselage than the original but a similar flight range of about 5,000 miles. *Gerard Baker in Tokyo*

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ASIA-PACIFIC NEWS DIGEST

Minister sacked in South Korea

Mr Kim Deok, the South Korean deputy prime minister for national unification, was sacked yesterday in response to allegations of political meddling by the country's intelligence agency when he was its chief. The opposition Democratic party on Monday claimed that the Agency for National Security Planning (NSP) last autumn had studied the possibility of postponing local elections scheduled for June. Mr Kim, who was appointed unification minister last December, was then head of the intelligence agency. The opposition has accused the government of trying to delay the elections so it could redraw administrative boundaries that would improve the electoral performance of the ruling Democratic Liberal party.

Mr Rha Woong-bae, a close confidant of the president, was named the new unification minister. Mr Rha indicated that he would take a more conciliatory approach toward North Korea by promoting economic co-operation. The local polls are the first main election test for the government of President Kim Young-sam since it came to power two years ago. Mr Kim Jong-pil, who resigned last month as DLP chairman after a dispute with President Kim, meanwhile said he would form a new conservative party to challenge the government in the elections. The new party, the United Liberal Democrats, has the support of at least nine MPs in the 299-member national assembly. *John Burton, Seoul*

Japanese revival 'uneven'

Japan's economy is undergoing a slow and uneven take-off, according to government indicators issued yesterday. The Economic Planning Agency's coincident index, a basket of 11 indicators of current business conditions, stood at 85 in December, the fifth month running at which it has stood above 50, the dividing line between expansion and contraction. It stood at 60 in November, proof the economy "remains on a trend towards recovery," the EPA said. The leading indicator, a measure of expected economic conditions three to six months ahead, fell slightly to 72.7 in December, above equilibrium for the second month running. *William Dawkins, Tokyo*

Hong Kong inflation tops 10%

Hong Kong's annual inflation rate rose above 10 per cent last month, underliningg the colony's continuing difficulty in controlling the pace of price rises. The CPI (A), Hong Kong's accepted inflation measure, rose 0.7 per cent in January compared with December. This pushed the annual rate of inflation to 10.1 per cent in January, compared with 8.9 per cent in December and 6.2 per cent in January 1994.

The census and statistics department said the main reason behind the sharp rise was movements in essential foods. Vegetable prices were 30 per cent higher in January than a year ago, it said. *Simon Holberton, Hong Kong*

■ Taiwan's current account surplus rose to US$2.06bn (£1.3bn) in the fourth quarter of 1994 from $1.95bn in the same period a year earlier, the central bank said. *Reuter, Taipei*

■ Japan has adopted a goal of constructing a nationwide optic fibre network by 2010 as part of its policy of promoting telecommunications infrastructure. *Reuter, Tokyo*

■ The Hong Kong government will not relax measures introduced last year to cool speculation in the residential property market, Mr Dominic Wong, secretary for housing, said yesterday. The measures included limiting housebuilders' ability to pre-sell developments. *Simon Holberton, Hong Kong*

N-waste ship set for stormy trip

By Emiko Terazono in Tokyo and Haig Simonian in London

The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave the French port of Cherbourg for Japan tomorrow.

The Pacific Pintail, a specially equipped vessel owned by British Nuclear Fuels, will set off after the company won an injunction in France on Tuesday to restrict potential disruption by Greenpeace, the environmental lobby group.

No course for the voyage has been revealed. However, environmental activists are gearing up for one of their most vociferous campaigns since the Akatsuki Maru, a reflagged BNF freighter, carried plutonium from Cherbourg to Japan in 1992-93.

The Japanese government had initially wanted to release details of the voyage but met strong opposition from BNF and Cogema, the French state reprocessing company, which were concerned about protests.

However, the injunction, which prevents Greenpeace from getting within 8km ofthe vessel, covers Frenchwaters only and lapses at the end of this month.

"We will take any appropriate and necessary legal action to protect the ship in international waters", said a BNF official. As the Pacific Pintail is British-registered, BNF could turn to the UK courts to prevent protests on the high seas.

"There are few operations which have enjoyed so much consensus as this one", said Mr Jean-Louis Ricaud, Cogema's vice president in charge of reprocessing. "Only one group is against it, in order to gain publicity."

The Japanese government is bracing itself for an international outcry. The country's Science and Technology Agency and the Federation of Electric Power Companies confirmed the first shipment of radioactive waste would leave tomorrow. As the course has been kept from the public, international environmental groups and more than 20 countries on the expected voyage are criticising the government for lack of disclosure.

The high-level waste is concentrated and mixed with glass into cylindrical blocks. Tomorrow's shipment will consist of 28 such blocks. Environmentalists claim the blocks are so radioactive that a person standing within one metre of a single unshielded block could receive a lethal dose in less than a minute.

The shipment is expected to arrive in April. Four routes are possible. The Akatsuki Maru travelled around the Cape, across the Indian Ocean and between Australia, New Zealand and the South Pacific Islands before reaching Japan.

However, a similar course is less likely for the Pacific Pintail, as it not designed to sail so far without refuelling. A non-stop voyage would have to use the Panama Canal.

Shipment highlights disposal issue

Haig Simonian and **Emiko Terazono** on the transport and storing of radioactive material

Suddenly, the question of what to do with nuclear waste has become an international issue again.

Tomorrow, a specially equipped UK-registered freighter will leave a high security dock at the French port of Cherbourg bound for the harbour of Mutsu Ogawara in north-east Japan.

It will be carrying a thick steel cask containing 28 glass blocks of high-level radioactive waste from the La Hague nuclear reprocessing plant run by France's state-owned Cogema group.

Cogema's customers include some of Japan's main electricity utilities. They use its facilities to reprocess spent nuclear fuel rods into new fuel rods and plutonium.

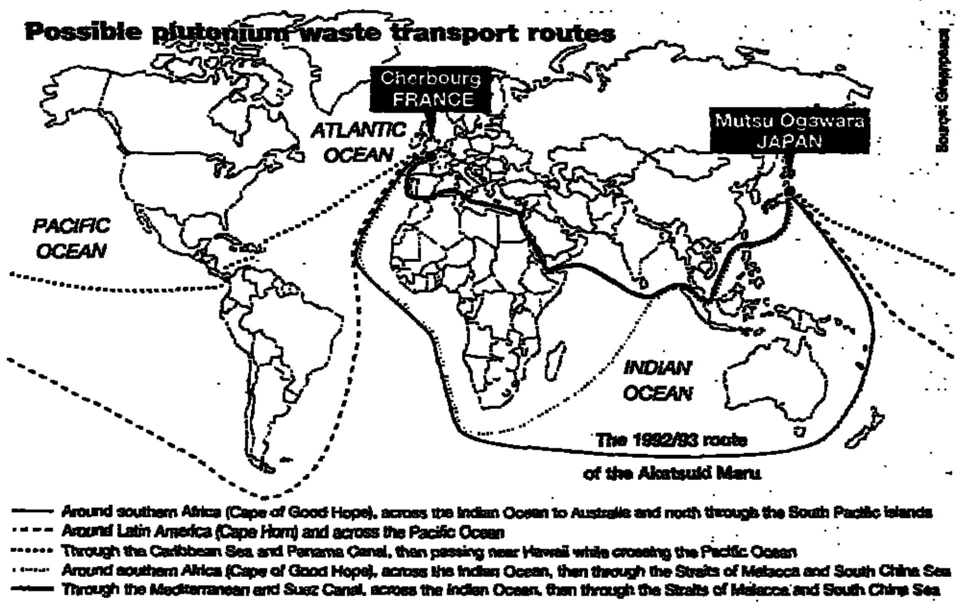
However, high-level waste is the other inevitable by-product of the process.

It comprises elements such as fuel rod casings and parts of the reprocessing cycle which have been exposed to extremes of radioactivity and cannot be re-used.

Using a highly sophisticated vitrification technique, the waste is mixed with silicon and other glassmaking substances at extremely high temperatures to form a glass-like liquid, which is then poured into special steel flasks.

According to Cogema's contracts, a customer is obliged to take back both the usable nuclear fuels from reprocessing, and the waste materials.

Possible plutonium waste transport routes



The waste comes in three degrees of radioactivity - high, medium and low.

A similar arrangement exists in the case of British Nuclear Fuels, Cogema's UK competitor, and its clients. However, the question of returning high level nuclear waste from BNF has not yet arisen, as its big Thorp reprocessing facility is only now coming on stream.

Although BNF, which numbers many Japanese utilities among its clients, is committed to sending back all the wastes, the question of quantity remains murky. Some environmentalists believe the principle of "substitution" is implicit in the UK contracts, although some in the UK government disagree.

Substitution means that BNF can send back a larger than planned quantity of highly radioactive material in return for not returning the much bulkier medium and low-level wastes.

Substitution makes business sense. Sending back the voluminous medium and low level materials would be immensely expensive, in spite of their relatively low levels of radioactivity. However, politically it raises hackles about turning Britain into a nuclear dustbin.

Cogema says it has not agreed on substitution with its customers. Thus tomorrow's shipment will be first of many from France to Japan. Further shipments are likely to follow once the cycle is in full swing.

Cogema expects to make "one or two" shipments a year, with the next transfer taking place either this year or in 1996, according to Mr Jean-Louis Ricaud, the vice president responsible for reprocessing at Cogema.

These are likely to be extremely controversial. In late 1992, Cogema sparked off an international row by sending a first consignment of highly radioactive plutonium – one of the usable by-products of the reprocessing cycle – to Japan. That voyage has not been repeated.

Plutonium shipments from France to Japan are relatively small and are timed depending on the Japanese customers' demand, explains Mr Ricaud. By contrast, the waste consignments will be more frequent.

How well equipped the Japanese are to receive them is less clear.

The Japanese government has yet to find a final site for storing radioactive waste.

While a facility to deposit nuclear waste has been built in Rokkasho, Aomori in northern Japan, as a part of a nuclear complex which includes a uranium enrichment plant, local authorities refuse permanent storage.

Following last December's agreement with Rokkasho and the Aomori municipal government to limit the length of storage at the Rokkasho site, the government has been forced to look for alternatives, including the northern island Hokkaido.

The proposition is expected to become one of the central issues of the Hokkaido gubernatorial election in April.

Groups 'made illegal loans'

By Gerard Baker in Tokyo

Two troubled financial institutions at the centre of a deepening financial imbroglio in Japan made illegal loans accounting for more than 72 per cent of their total lending, according to documents released yesterday.

The two credit associations, Tokyo Kyowa and Anzen, made 40 large loans worth a total of Y163.4bn (£1.06bn), all exceeding the individual maximum of 20 per cent of an institution's capital which, under banking law, may be advanced to any one borrower.

The two companies were rescued by the the Bank of Japan last December after it was found they had over Y110bn in non-performing loans. The documents released yesterday by parliament, which is investigating the rescue, showed this represented almost half the two institutions' total loans of Y225.3bn. Anzen had bad loans of more than 90 per cent of its total assets.

The documents confirmed that more than Y65bn of the advances were made to companies connected with the president of one of the institutions, Mr Harunori Takahashi, a property developer. In the late 1980s, Mr Takahashi developed extensive political connections.

Those links have accounted for the political demise of Mr Toshio Yamaguchi, a former labour minister, who resigned last week as deputy general secretary of the reformist New Frontier party when it was revealed members of his family had received large loans from the associations.

The documents were given to the lower house of the Japanese parliament last week by the finance ministry and the Tokyo metropolitan government, responsible for the companies' supervision. But they contain no names of depositors and borrowers, despite pressure from legislators to publish details.

● The lower house budget committee begins a two-day debate today.

Fresh HK pension plan unveiled

The Hong Kong government yesterday unveiled a fresh proposal for a comprehensive pension scheme just weeks after it was forced to withdraw a plan in the face of opposition from China and business, writes Simon Holberton in Hong Kong.

The new proposal would require companies and workers to contribute to a compulsory privately managed retirement protection scheme. The company-based schemes would be portable, but, unlike the original proposal, it would not provide immediate benefits to Hong Kong's elderly.

With the defeat of its earlier proposal in mind, the government was yesterday taking no chances. It said it would call for an affirmation of the proposed scheme in a motion debate on March 8 in the Legislative Council (LegCo), Hong Kong's law-making body.

If LegCo supports the new scheme, the government will consult China and begin detailed planning. It was unclear, however, how China would react. It objected to the former pension scheme on the basis it represented creeping welfareism.

This time it might object to be being placed after LegCo in the process of consultation. In the past, China has been dismissive of Hong Kong's legislature which it regards as only an advisory body.

Last month, the government dropped plans to introduce an old-age pension scheme in the face of widespread objections from business, China and some local politicians. This scheme would have provided an immediate monthly pension of HK$2,300 (£190), adjusted for retail price inflation.

The government said last night it expected to win the support of LegCo. Officials had met more than 30 groups in recent weeks and found general support for the proposed company scheme.

Companies would be required to establish pension funds. There would be a statutory minimum contribution of which the employer will be required to pay half.

There would also be increased regulation of the operation of registered occupational pension schemes and their administrators. A system would be developed to deal with benefit losses due to fraud.

Karen quit border stronghold

Burmese victory has a hidden drawback, reports **William Barnes**

Armed Thai border police search Karen men after they fled across the border from Burma *Reuter*

Karen guerrillas, the most powerful opponents of the military regime in Rangoon, withdrew from their last main stronghold on the Thai-Burmese border yesterday, following an intense Burmese army artillery barrage.

It will be taken as a victory by the Burmese army, locked in a bitter struggle with the Karen National Union for most of the time since Burma gained independence from Britain in 1948. Yet the State Law and Order Restoration Council, as the regime styles itself, has, in trying to crush the Karen National Union, risked spoiling relations with some of the few friends it has: the six members of the Association of South East Asian Nations.

Yesterday 1,000 Karen fighters carried their small arms out of Kamoora, some 400km north-west of Bangkok, across the Moei River into Thailand. The Thai army said they would be transported south and allowed to recross the border into an area of Burma still under Karen control.

The regime broke its own 1992 ceasefire in December to attack the Karen, taking advantage of a split in Karen ranks. Late last month, Burmese troops overran the Karens' Manerplaw HQ, also an important base for the exiled opposition movement.

Thailand has led Asean's controversial policy of "constructive engagement" with a regime widely criticised for its human rights abuses and refusal to allow a democratically elected government to take office.

During the Kamoora attack, Burmese army shells fell into Thailand and Burmese troops have tried to attack the Karen through Thai territory, with kidnapping raids made into Thai refugee camps, where 8,000 Karen have sought shelter. Thailand has found it hard to take the line that this fighting is an "internal matter".

Last Wednesday, Mr Surin Pitsuwan, Thailand's deputy foreign minister, warned Mr U Tin Winn, Burmese ambassador in Bangkok, that "Burma should not destroy the good atmosphere developing between Asean and itself." The Asean countries have claimed that bringing the regime into regional talks, rather than isolating it, will steer it to a more democratic form of government.

Diplomats say the generals in Rangoon appear set on holding Ms Aung San Suu Kyi, the popular opposition leader, under house arrest, at least until the present constitutional convention has agreed to enshrine the military's dominance, and effectively exclude her from significant political office.

The Karen National Union is the most powerful of the few ethnic rebels who have not signed a peace agreement with Rangoon. Since 1989, Slorc has squeezed ceasefire deals from 12 ethnic groups.

9Slorc may be planning to "negotiate" a peace agreement with a faction of Karen Buddhists which defected from the mostly Christian-led KNU in December. Snatch squads have crossed from Burma to penetrate refugee camps in Thailand and recently took a prominent Karen Buddhist back across the border.

Slorc seems confident the business deals it has to offer Asean will tempt its neighbours to retain "constructive engagement". It could be right: last week, as Burma was being reprimanded for allowing raids into Thailand, the Thai Board of Trade said 80 businessmen will make up Bangkok's biggest trade mission to Burma this week.

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Contract with America is on target at halfway mark

By George Graham in Washington

Republicans in the US Congress reach the halfway mark today in their 100-day march to carry out the Contract with America, the manifesto on which they swept into the majority at last November's congressional elections.

Although only one measure in the Contract – a bill placing Congress under the same workplace laws as other employers – has been signed into law, Speaker Newt Gingrich and his allies can already claim to have accomplished much of what they promised.

The Contract was signed only by Republican candidates for the House of Representatives, and it promises only to bring a list of bills to a vote on the House floor. It does not guarantee passage, and it certainly does not guarantee that the Senate will pass the same measures.

The original list of 10 bills promised in the Contract has been broken up in many cases into separate pieces of legislation, so precise scorekeeping is difficult.

However, House Republicans have so far made good on the internal congressional reforms which made up the Contract's preamble, on three other measures in their entirety and on parts of a fourth. Committee work is well under way on several other critical components.

The House's 230 Republicans have shown remarkable party discipline in the usually unruly Congress, and on several bills have been joined by 30 to 60 of the 204-strong Democratic minority.

But there have been some severe rifts within the party, which have often pitted more moderate old-timers against the radical newcomers who won their first elections in November. One clash came over the balanced budget amendment to the constitution, when moderates forced the elimination of a requirement that any future tax increase be passed by a three-fifths majority of Congress.

Party leaders had to work hard to prevent freshmen members from voting against the amendment because it had been weakened from the original Contract language.

A similar clash between old and new is expected over proposals to limit the length of time members can serve in Congress.

The Contract has so far suffered only one severe defeat on the floor of the House: when 24 Republicans defected to vote against its requirement that the Pentagon speed the deployment of Star Wars style anti-missile defences. The rebels included four committee heads, most notably Congressman John Kasich, who chairs the budget committee and is a central figure in the party leadership.

The hardest work, however, may be ahead. Among the measures which have been slowest to move are promises to cut capital gains taxes and provide a tax credit of $500 (£320) per child to families.

Under current pay-as-you-go budget rules, tax cuts have to be offset by increases in other revenues or cuts in recurrent entitlement spending. The cost of the Republican package is estimated at $200bn over the next five years, and more than $700bn over 10 years.

That cost would make it even harder to bring the budget into balance, as Congress could be required to do as early as 2002 if the balanced budget amendment to the constitution passes the Senate next week and is then ratified by three quarters of the states.

The Senate, meanwhile, does not have the same commitment as the House to the Contract's content or to its 100-day timetable. Nevertheless, Mr Gingrich and his House troops have the political wind in their sails. Senator Robert Dole, the Republican leader in the Senate, may be more cautious by nature than Mr Gingrich, but he may find it hard to buck the Contract without hurting his chances of winning next year's presidential nomination from the Republican faithful.

The heart of the Contract with America is a package of reforms to Congress's operations and a list of 10 bills that Republican candidates promised to bring to the floor of the House for full debate and a clear vote within 100 days of convening. At the halfway point, this is where the Contract stands:

- Congressional reforms. Legislation to subject Congress to the same rules on employment conditions as the rest of the country passed in two weeks and was signed into law by President Bill Clinton on January 23. Internal rule changes have also been implemented.
- Fiscal Responsibility Act. A constitutional amendment requiring the federal government to balance its budget passed the House and will come to a vote in the Senate on February 28. Supporters are close to the two-thirds majority they need for the amendment, which would also have to be ratified by three quarters of the states. Legislation to give the president power to cross out individual lines in spending bills passed the House, and two competing versions have cleared Senate committees.
- Taking Back Our Streets Act. Split into six bills, the House has passed measures to boost prison spending, reduce *habeas corpus* rights and constitutional protection against illegal searches, and replace Mr Clinton's plan to fund the hiring of 100,000 more police officers with more general grants to local governments. Senate committee action is expected next week, but Mr Clinton has threatened a veto.
- Personal Responsibility Act. The plan to reform the welfare system would cut payments for unmarried mothers and give more responsibility to the states. It has passed a House subcommittee. More committee action is expected this week.
- Family Reinforcement Act. The House ways and means committee has held hearings on this proposal to provide tax breaks for adoption and the care of elderly dependents. The Contract also proposes tougher child pornography laws and expanded rights for parents over their children's education.
- American Dream Restoration Act. This package of "middle class tax cuts" may prove one of the most difficult measures to pass, because it will be so expensive to finance its proposed $500 per child tax credit and easing of the tax penalty on marriage. Legislation has not yet advanced very far.
- National Security Restoration Act. The House passed this bill to cut US participation in United Nations peacekeeping operations and restrict the president from placing US troops under foreign command after an irritable debate last week. The Senate is expected to be much more wary of the bill and a presidential veto has been threatened.
- Senior Citizens Fairness Act. No action yet on this promise to raise the limit on how much senior citizens can earn without losing their social security benefits.
- Job Creation and Wage Enhancement Act. The "unfunded mandates" portion of this proposal, which would restrict the federal government in imposing actions on state governments unless it also provides money to pay for them, has passed both House and Senate, but the two chambers are having difficulty reconciling their versions. A moratorium on all government rules will come to the House floor this week. Proposed changes to depreciation rules appear almost dead, and debate continues over a 50 per cent cut in capital gains tax, which would be costly.
- Common Sense Legal Reforms Act. A House committee has approved legislation to restrict lawsuits by shareholders. Fierce debate is expected over limits to manufacturers' product liability and on a measure to make the loser pay both sides' legal costs.
- Citizen Legislature Act. A Senate committee has approved a bill that would restrict members of Congress to 12 years in each chamber. In the House, relations have soured between Republican leaders, who are backing a 12-year limit, and hardline term limits advocates, who want a six-year ceiling.

A Peruvian soldier crosses the Canapa river on the way to the disputed Tiwinza border post AP

Peace deal fails to halt Peru-Ecuador fighting

By Sally Bowen in Lima

Armed clashes are continuing in the disputed Peru-Ecuador border area known as the Cordillera del Condor, despite the signing of a peace declaration in Brasilia last Friday. A communique issued late on Monday by Peru's joint chiefs of staff accused Ecuador of carrying out "aerial operations with combat helicopters... infiltrating troops and harassment".

In the Peruvian forward bases of PV-1 and Ciro Alegria last weekend there was no let-up in activity as troops and provisions were constantly shuttled in and out. Commando patrols were slogging through dense jungle, thigh-deep in mud and still exchanging machine-gun and mortar fire with stray Ecuadorean patrols: platoons of Aguaruna Indian volunteers ferried rations to them. There could now be some 2,000 Peruvian soldiers in the disputed zone.

A preliminary contingent of observers from the US, Chile, Argentina and Brazil was yesterday due to start a four-day visit to Ecuador and Peru, to establish the viability of a larger, technical mission of observers to oversee the ceasefire and separation of forces.

The mission faces an unenviable task. The military on both sides, irrespective of agreements their countries' diplomats may sign, appear well dug in and passionately committed to not ceding an inch of territory.

In this most anachronistic and confusing of conflicts, there is no certainty over exactly where some of the disputed bases lie or who controls them. Peru's President Alberto Fujimori has three times in a week had to cancel attempts to reach Tiwinza, a border outpost which both Peru and Ecuador claim to occupy.

Both sides in the conflict have claimed military and diplomatic victories and peace has been widely celebrated. But in both countries, criticism of the peace terms is mounting.

Under the agreement, the disputed zone on the eastern slopes of the Cordillera del Condor will become a demilitarised zone. Ecuador will pull its troops back to Coangos, Peru to PV-1. This is an "undue concession which jeopardises Peruvian sovereignty over part of the national territory", said Mr Javier Pérez de Cuéllar, former UN secretary-general and the main opposition presidential candidate for April's general elections.

Mr Pérez de Cuéllar, now the most convincing critic within Peru of the peace declaration, argues it is "inequitable" and "harmful to the national interests" in requiring Peruvian troops "to retreat from zones that Ecuador occupied by force, while Ecuadorean troops remain right on their frontier: aggression is being rewarded and encouraged."

The peace declaration is too vague and and does not include obligatory demarcation of the 78km of frontier under dispute, he said.

Mexico crisis may send Argentina to IMF

By David Pilling in Buenos Aires

Argentina may sign a new accord with the International Monetary Fund to see it through financial difficulties provoked by the Mexican crisis, a Finance Ministry official admitted yesterday.

Mr Ricardo Gutierrez described negotiations as "very preliminary" and denied press speculation that the specific sum of $2bn had been discussed with the IMF, which has had a monitoring team in Buenos Aires for three weeks. In the past, government officials, including Mr Domingo Cavallo, the economy minister, have denied that Argentina would seek fresh funding.

Only last September, Argentina turned down the last two tranches of an IMF extended-fund facility totalling $410m, claiming that its good access to international capital markets rendered such assistance unnecessary. President Carlos Menem described Argentina as being like a child that had just learned to walk on its own – it no longer needed parental assistance.

At the time, the administration strongly denied that it had refused loans in order to escape rigorous IMF monitoring, but in the second half of 1994 it recorded a budget deficit.

As a result of the shock waves provoked by Mexico's devaluation, Argentina's position has worsened considerably. Prospects of much slower capital inflows this year, as well as severe liquidity problems in the financial sector, have provoked fears of recession, or even a banking collapse. The stock market has lost more than 30 per cent of its value since Mexican devaluation, with many government bonds falling by a similar amount.

Tough international market conditions have obliged the administration to turn to the domestic market for funds needed to pay $5.2bn in debt payments this year.

The government has scheduled seven auctions of short-term treasury bills for the first quarter of 1995 in which it hopes to raise a total of $1.7bn, but conditions for yesterday's $230m placement were said to be "discouraging" by some traders.

The IMF would almost certainly impose tough conditions as the basis for a new accord, including further spending cuts or tax increases. These may be extremely hard to swallow for an administration that must fight presidential elections on May 14.

However, some commentators have suggested that the government will play on public fears of economic instability to push through an austerity package. "Such a package, if applied before the May elections, should play in favour of the ruling party in the election, as it will be perceived as a bold and responsible move in managing the crisis," said an analyst at Baring Securities. "Memories of economic chaos and hyperinflation should gain public support for this package."

Florida state sues tobacco industry

By Richard Tomkins in New York

The state of Florida yesterday said it had filed a lawsuit against the US tobacco industry claiming billions of dollars for health costs incurred by the state in treating smoking-related illnesses.

In an outspoken attack on the cigarette makers, Mr Lawton Chiles, the state governor, said: "This suit sends a loud and clear message to the tobacco industry that it, not the taxpayers, will be held accountable for marketing sickness and death."

The latest legal action comes only days after last Friday's ruling in a New Orleans court that cleared the way for lawyers to bring a multi-billion-dollar class action lawsuit against US tobacco companies claiming compensation for nicotine addiction.

The cigarette manufacturers' shares, which had already fallen on Friday in response to the New Orleans ruling, declined further yesterday. Philip Morris's shares were down $2 at $58¾ in early trading and RJR Nabisco's were down $⅛ at $5⅞.

The Florida lawsuit is aimed at recovering state money spent on treating smoking-related diseases under the Medicaid programme, a health programme for the poor. The state says these costs amounted to $1.4bn over the past five years.

The state aims to combine all Medicaid cases relating to tobacco use and file them as a class action. If the suit were successful, damages would be divided among the cigarette makers according to their market share.

Other states are contemplating similar legal action against cigarette makers and Mississippi has already filed a suit. But Florida last year passed a law called the Medicaid Third-Party Liability Act specifically designed to increase its chances of successfully suing the industry.

On Monday Philip Morris and R.J. Reynolds Tobacco launched a pre-emptive strike against the Florida suit by filing a petition claiming the state's suit was unconstitutional. Mr Steve Parrish, Philip Morris's general counsel, said cigarettes were a legal product sold by thousands of businesses in Florida. In the past five years the state had collected $2.2bn in excise taxes and $800m in sales taxes on tobacco products.

Commission protest by travel agents

The American Society of Travel Agents yesterday hit back at big US air carriers who are trying to curb their commissions on airline ticket sales, Reuter reports from Washington.

The society said it was filing an antitrust lawsuit against the airlines and seeking a restraining order against the commission cuts until the lawsuit can be resolved.

The class action lawsuit alleging price fixing was being filed following an emergency meeting of the society's board of directors.

Earlier this month United Airlines and USAir joined American Airlines, Delta Air Lines and Northwest Airlines in moving to curb the 10 per cent commission paid to agents on every ticket sold.

The airlines said they would carry on paying a 10 per cent commission for lower-fare tickets but impose a ceiling of $25 for commissions on one-way tickets costing more than $250 (£160) and a ceiling of $50 for round-trip tickets costing more than $500.

The society earlier complained that the resulting cut in revenues would have a "devastating" impact on US travel agencies.

NEWS: UK

MPs divided over air traffic control sell-off

By Michael Skapinker, Aerospace Correspondent

The government should consider turning the air traffic control system into a profit-making state company rather than privatising it, the House of Commons transport committee said yesterday.

The government proposed in 1993 privatising the Civil Aviation Authority's National Air Traffic Services (Nats), with the CAA remaining a regulatory body and Nats being floated as a private company. The committee said it was divided on the merits of privatisation, but agreed that the government needed to consider allowing Nats to remain in the public sector, though having the right to borrow money privately.

The committee said several countries had decided to separate air traffic control organisations from government, creating bodies which were expected to operate in a commercial fashion.

No country had completely privatised its system, although Swiss air traffic control was partly private. New Zealand and Germany had formed state-owned organisations with the power to borrow privately.

The UK Department of Transport had told the committee that it could not accept this alternative, dubbed "corporatisation". Nats' borrowing would still be classified as public borrowing, because it would be backed by an implicit government guarantee.

The committee said there were precedents for public companies being allowed to borrow privately. British Petroleum and British Leyland, the former vehicle conglomerate, were allowed to do so when most of their shares were owned by the government. British Nuclear Fuels had been permitted to borrow privately to invest in its Thorp reprocessing plant.

The committee said: "The option of 'corporatisation', we believe, should not be ruled out simply because of Treasury rules which are inconsistently applied."

It added: "Before the government proceeds with its plans, we recommend that it publish detailed arguments as to why it does not favour the alternative . . . of converting Nats into a profit-making public sector company."

The committee said if the government did go ahead with its plans, the CAA should not be responsible for regulating safety as well as being a privatised Nats' economic regulator.

Mr Paul Channon, the committee chairman and a former Conservative transport secretary, said planned annual capital investment of £100m represented only 4 per cent of the Department of Transport's budget. "It seems to me we could find the extra investment without privatisation."

Watchdog criticises immigration service

By Andrew Adonis, Public Policy Editor

Britain's Immigration Service needs to do more to cope with peak passenger flows at airports and to recover fees outstanding from airline and ferry operators, the National Audit Office – the government spending watchdog – said yesterday.

The parliamentary watchdog called in a report on entry into the UK for improved management practices to ensure more efficient "passenger throughput" and to cope with variations in passenger demand.

A review of shiftworking practices had concluded that "shift patterns do not provide an optimum match between resources and demand".

The report notes that "early morning peaks at some Heathrow and Gatwick terminals were not adequately staffed and there was a need for fewer staff at night".

The immigration service deals with millions of entries a year, but much of its work is created by the 60,000 to 70,000 passengers who are subject to further enquiries.

To minimise the number of such cases, airline and ferry operators are charged for passengers brought into the country without proper documentation.

But the report says £22m ($34.5m) of the £62m levied in such charges was still outstanding at the end of 1993.

The Home Office said yesterday that £62m of the £75m now outstanding in charges had been recovered, an 83 per cent recovery rate.

"A rigorous approach to recovering the balance will be maintained," it said.

Westland wins defence helicopter deal

An Anglo-Italian venture has beaten Boeing, says **Bernard Gray**

The UK Ministry of Defence has decided to buy the bulk of its new £1bn ($1.55bn) transport helicopter fleet from Westland, the Yeovil-based aerospace company, rather than Boeing of the US.

The decision has to be ratified by the cabinet, but with strong backing from the MoD and the Department of Trade and Industry, it is expected to face little opposition. The MoD is preparing papers for the cabinet, and the result could be announced as early as next week.

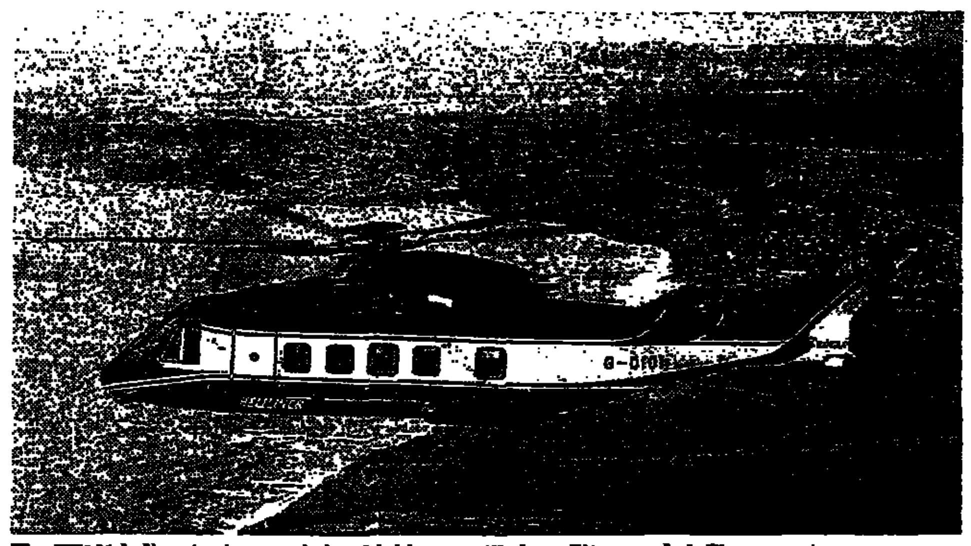
The order will be for 20 to 25 of Westland's EH101 medium-sized transport helicopters, developed jointly with Agusta of Italy, and 8 to 10 of Boeing's larger Chinooks, which are needed to lift bulky objects. The Chinooks will be added to the UK's existing fleet of 30. Neither Boeing nor Westland would confirm that a decision had been reached.

Negotiations over the order have been extremely tough, since the decision is important to both companies. Boeing's Chinook production line in the US is expected to run out of work by the end of the year and the EH101 is expected to be the mainstay of Westland's future production.

The high cost of installing new training and maintainance facilities for the EH101 surprised the MoD, and the Royal Air Force has argued that these would not be needed for the Chinook, which could use existing equipment. There has been strong opposition within the RAF to buying the EH101 and the RAF had been lobbying hard for an all-Chinook purchase.

At a time when the RAF's over-riding priority is to make sure it gets 250 of the next generation Eurofighter at a cost of £12bn, any money it can save elsewhere is welcomed.

Boeing offered to place 200 per cent of the value of any contract awarded to it as work with companies in the UK if the MoD decided to buy more than 30 Chinooks. Westland was forced to lower the price it offered several times before an acceptable price was reached. Despite the high cost of new EH101 facilities, such intense price competition meant that the final order fell within the MoD's budget.


The EH101 helicopter is regarded as highly versatile by military and civilian operators

Recently there had been speculation that the MoD might ditch the troop-transport version of the EH101 and place the entire order with Boeing, but the ministry has apparently always intended to stick to its declared line of buying a mixed fleet.

The EH101 is capable of operating in all weather conditions, unlike the Chinook, and the procurement arm of the MoD is thought to have been concerned about the impact on export prospects for the EH101 if the RAF did not buy the helicopter. The Royal Navy, which is enthusiastic about the EH101, has already ordered 44 EH101s for use in anti-submarine warfare, and may order a second batch.

The MoD has invested £1bn in its share of development funding for the helicopter. The total cost of the EH101 programme is put at almost £4bn.

Italy, which has a 50 per cent share in the project, has scaled down its original requirement from 35 of the anti-submarine warfare version of the EH101 to 16. However, it has not yet placed a firm order for any of aircraft. Agusta, the Italian aerospace company which helped design the EH101, makes 50 per cent of the aircraft.

In the civil market the EH101 is being offered as a possible oil-rig crew transporter, particularly for the North Sea. Its ability to operate in very poor weather makes it particularly suitable.

Aviation chiefs are warned of 'green' backlash

Mr Brian Mawhinney, the UK transport secretary, yesterday warned the aviation industry that it would have to pay greater attention to environmental issues and to the views of those living near airports, Michael Skapinker writes.

Mr Mawhinney said the airline industry would increasingly confront the sort of environmental issues that the road transport sector had been dealing with for years. He told the Aviation Club of Great Britain: "If my sense of the nation is right, all of us are going to have to pay more attention to the environmental consequences of industry for some years to come."

Mr Mawhinney – whose audience included Sir Colin Marshall, chairman of British Airways and Sir John Egan, chief executive of airports group BAA – refused to be drawn by questioners who asked whether he supported the building of a fifth terminal at London's Heathrow airport, saying he had been advised he could not comment on the issue. A public inquiry into the terminal begins in May.

Mr Mawhinney said the fears of people living near airports about new developments had to be addressed. In reply to a questioner who said that people who chose to live near airports should not complain about noise and that many of their complaints were ill-founded, Mr Mawhinney said: "As I used to tell my children when they were growing up, there is no law that life has to be fair. Life has to be addressed as it is."

Mr Mawhinney denied that his statements implied a lack of support for the UK aviation industry. He paid tribute to its achievements, noting that 20 per cent of UK exports by value were now transported by air. He reaffirmed the government's determination to support UK airlines by pressing for continued liberalisation within the European Union. He said the government had strongly opposed French government aid to Air France.

He said: "I will not take lectures that seem to indicate that the government does not appreciate your industry or its contribution to UK plc."

UK NEWS DIGEST

Peace strategy for Ireland to be launched today

The British government was bracing itself last night ' period of political brinkmanship and friction in Nor Ireland as it prepared for publication of the framework ment propo;sing a constitutional settlement for No Ireland. Mr John Major was holding an unscheduled n near Belfast, the Northern Ireland capital, with M Bruton, prime minister of the Irish Republic, to e last-minute plans for today's launch. Both leaders' c gave the final go-ahead to the proposals at special yesterday. There was no dissension around Mr Major's table.

Ministers and Conservative backbenchers conducted ish round of meetings in an attempt to reassure N Ireland unionists and members of their own party th had been no "sell-out" to the republic.

Unionists leaders maintained their barrage of denun against the document, with the Rev Ian Paisley, leade hardline Democratic Unionist party, calling it a "declar war on the union [with the UK] and the unionist peo was speaking after 80 minutes of talks with the prime ter. "My worst fears are realised," Mr Paisley added.

Mr James Molyneaux, leader of the larger Ulster Un on whom Mr Major depends for his Westminster majorit the document was "a major part of the problem instea basis for solution". Mr Major told the Commons that could take place on the basis not only of the frame document but on other proposals, such as the Ulster Un ists', who unveiled a policy document of their own yester The main sticking point, as it has been throughout the p months of the process, are proposals for a North-South body co-ordinate and harmonise institutions on both sides of t Irish border. *John Kampfner, Belfast*

Design row over ovens

Creda, the white-goods manufacturing subsidiary of GEC of the UK, is being sued for allegedly copying the design of another company's specialist oven. The action, being brought by New World Group, market leader in built-under double ovens, might force Creda to withdraw its product line to make it distinguishable from the New World "Twinline" range. Creda said it would defend the case "vigorously".

New World was bought in January by Merloni Domestic Appliances, the Italian white goods group. Rivalry between New World and Creda led to a legal row last week when negotiations between New World managers and GEC's patents department broke up without agreement. New World lawyers now claim that Creda had already sold more than 400 ovens similar to the Twinline range even before the negotiations broke up. *James Harding*

Cable offer to schools

UK cable television companies are offering schools free connection to the information superhighway in a gesture which could cost them up to £100m over the next few years.

The companies, chiefly US-owned, are members of the Cable Communications Association. This week its board agreed to offer a free standard connection – running cable from the network onto the school premises and to a set-top box which decodes the signals for display on a conventional television – to every school close to their networks.

Only some 350 of the UK's 25,000 primary and secondary schools are currently connected to a cable network. *Alan Cane*

Lord Alexander

In yesterday's article about Lord Alexander, chairman of National Westminster Bank, the figure quoted for his total remuneration package in 1993 was incorrect. It should have been £362,157.

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Union freezes staff pay as deficit grows

By Robert Taylor, Employment Editor

MSF, Britain's fifth-largest union, has imposed a staff pay and recruitment freeze, spending curbs, a ban on overseas travel and wants a 4 per cent cut in staff by the end of the year to combat a rising financial deficit.

The 480,000-member Manufacturing, Science and Finance union, hit by a continuing fall in membership, has been running a monthly deficit on its current account since November. Mr Roger Lyons, MSF general secretary, has written to the union's full-time staff saying the union had deficits of £167,000 ($259,000) in November and £184,000 in December, with the prospect of more deficits this year.

Cuts have been imposed in an effort to return the finances to balance by 1996.

Unity Trust Bank and Co-operative Bank jointly provide the union with a £9m loan facility. The union's debt repayment plan, which has reduced the overdraft from £14m in three years, has been hit by rising UK interest rates, though Unity Bank said yesterday the union was still operating within its facility.

The union has lost 5 per cent of income from members who did not sign up to have their subscriptions paid from salary. Membership has also fallen because of job cuts across manufacturing and the public services and more recently instability in the financial sector.

Mr Lyons and the union's executive have implemented a number of "firm financial management" measures in an effort to prevent compulsory redundancies. These include a freeze on recruitment of full-time or part-time staff; a voluntary redundancy scheme to cut personnel costs by 2 per cent by June this year with a further 2 per cent reduction by the end of 1995; suspension of pay negotiations with staff, to be "resumed when the union's central finances improve;" and an increase in membership subscriptions from January 1996.

Mr Lyons says he regrets the need for drastic action but insists "it is in everyone's interests to take this action to balance income and expenditure without delay."

A struggle for control of Ucatt, Britain's largest construction union, will be decided in the High Court next week. The union's full-time four-man executive committee are challenging their suspension by Ucatt's general council, which claims to be the union's highest governing body. Union members agreed by an 87 per cent majority ballot vote at the end of last year to replace the full-time executive with one made up of lay members.

The rise of the polite inquisitor

The Nolan committee into standards in public life ends its public hearings tomorrow. John Kampfner looks at what it has achieved

The setting is quintessentially British. In a low-ceilinged back room in Westminster's Methodist Central Hall, 10 men and women, the great and the good, *have spent the past two* months cross-examining politicians, civil servants, industrialists, journalists and academics. Rarely has a voice been raised. Politeness and understatement have been the order of the day.

Yet with the Nolan committee on standards in public life due to end its public hearings tomorrow, anxiety is mounting in government about the scope of the changes it is poised to recommend.

Mr John Major, the prime minister, set up the committee last October in the wake of allegations that some MPs were willing to question ministers in parliament in return for cash from businesses. He envisaged a panel that would advocate small-scale reform of parliamentary and ministerial procedure.

But the government has been taken by surprise at the rigour with which Lord Nolan and his colleagues have set about their task. The result has been a full-scale examination into the way Britain is governed. For all the demure behaviour, the British political establishment has been on trial. The committee has confined itself to three main areas:

- MPs and their lobbying on behalf of outside interests.
- *the private-sector jobs* taken by many ministers after they leave the cabinet. and
- the so-called "quangocracy" – the unelected non-departmental public bodies which play a prominent role in the UK's political and economic life.

One of the first witnesses, Lord Blake, the historian of the Conservative party, described the current level of probity as the lowest since the Edwardian era which ended in 1910. Such comments helped set the tone.

After only three days, Lord Nolan said he would look into how to work an "independent element" into the regulation of MPs' outside interests and conduct. The message was clear – his report, due in May, would be no whitewash.

The committee is likely to conclude that retiring ministers will have to seek clearance from a panel of MPs and other public figures before taking up a job in the private sector. A "quarantine period" of two years is on the cards. MPs would also face more stringent procedures to ensure their Commons work is not compromised by contact with outside interests. Such recommendations are seen as the bare minimum that is required.

Lord Nolan has gone out of his way to avoid discussion of individual misdemeanours. He has eschewed the pugnacity of Lord Justice Scott and his arms-for-Iraq inquiry, whose report, also due in May, is expected to cast doubt on the positions of a number of ministers.

Some Conservative backbenchers have become increasingly worried at the ease with which Labour has been able to capitalise on the issues stirred up by the Nolan committee.

The MPs include in that category the issue of top people's pay. This is not in the committee's remit. But the government's unconvincing handling of the matter has compounded the widespread perception that it is unwilling to take the lead in the current debate on ethics in government.

Some action has already been taken by the government to address concern over standards in public life. A new code of conduct for civil servants was recently issued, following pressure from MPs, while amid public concern about quangos, the committee has said it has received more complaints about Tory "placemen" on health service trusts than on any other subject.

For the advocates of radical action – some of whom are on the committee – the government's reforms are too little, too late. Politicians, they argue, are subject to fewer controls than members of other trades.

A wide range of proposals has been put to the committee as it has gone about its work, some imaginative, some probably unworkable. One MP called for an all-powerful Ethics Registrar. Other witnesses have spoken of the need for an ombudsman to work alongside parliamentary committees.

Some have called for a constituents' charter, with benchmarks set for the number of constituents' complaints answered by MPs, the minimum waiting time in surgeries and the number of speeches or appearances in the Commons. Others have called for parliament to be policed by an outside regulator, just like the privatised utilities are.

The calls for MPs to be prevented from having any outside interests seem to have dissipated. Committee members were swayed by testimony from MPs of all sides who argued that neither the experience, intellectual vigour nor probity of the chamber would be enhanced by cutting itself off in this way from the outside world.

Instead, the committee is likely to draw a distinction between giving advice to an outside client in an informal capacity and acting as an advocate. Advocacy would be defined as putting down parliamentary questions or arranging meetings with ministers.

The government will not have heard the last of the committee when it delivers its report in May. It has a remit to examine standards of conduct "of all holders of public office" and to make recommendations for "any changes in present arrangements which might be required" for a period of three years.

This should give these erudite arbiters of the nation's ethics plenty of time to cast their net more widely. The issues of patronage, the honours system and the funding of political parties may all in time come under their gaze.

Lord Nolan: tough investigator of "sleaze" in political life

Investors in new market win tax breaks

By Richard Gourlay

Stockbrokers and investors in private companies yesterday welcomed the government's decision to allow investors on the London Stock Exchange's new Alternative Investment Market to be eligible for a range of tax breaks on investments in unquoted companies.

Mr Loughlin Hickey, partner at KPMG, the accounting firm, said the decision was a "great boost for the market".

Sir George Young, financial secretary to the Treasury, told representatives of the Venture Capital industry on Monday night that Aim companies would qualify for the tax reliefs when the market opens in June.

The reliefs, including inheritance tax relief, capital gains tax re-investment relief and reliefs under the Enterprise *Investment Scheme* and for investments in the new Venture Capital Trusts, are being made available to investors in other unquoted companies.

The decision removes an anomaly from the detailed proposals for the market which the Stock Exchange announced last week. Brokers say that if the government had confined the tax reliefs to companies not quoted on Aim, many more companies would have chosen to remain off the market.

The government's decision comes as competition is hotting up among European stock exchanges trying to set up markets catering for the special needs of dynamic young companies.

Following the London Stock Exchange's move, the Paris bourse announced on Monday its intention to launch a new stock market for small, fast-growing companies in Europe which it hopes to open at the start of next year.

A committee of the Societe des Bourses Francaises, which runs the French market, is expected to announce detailed rules of the market by the Autumn.

The Paris Bourse is also part of a consortium including the US Nasdaq market, and the European Venture Capital Association which is working towards setting up its own Europe-wide market for internationally minded high-growth companies.

BUSINESS AND THE ENVIRONMENT

Politics of a UN action plan

Peter Knight on the North-South split on environmental policy

The issue of how to produce and consume goods without fatally depleting the environment is being debated in earnest by governments and business as part of a United Nations initiative to develop practical policies on sustainable development.

A ministerial round table on the subject, held recently in Norway, generated a work programme which could be adopted by the UN Commission on Sustainable Development (CSD) in April.

Although the CSD – set up after the Rio Earth Summit in 1992 – has little clout within the UN, its decisions could nevertheless prove significant for business if taken up by member states.

This is because policies designed to encourage sustainable production and consumption will force radical change on industry. The UN has already brought about such change, for example, in the banning of CFCs and international agreements to reduce carbon dioxide emissions.

"The key question is how to incorporate the real cost of pollution and depletion into our classical economic indicators," Ritt Bjerregaard, the new European Commissioner for the Environment told the conference.

Some of the actions proposed in Oslo to encourage efficiency, minimise pollution and reduce the use of natural resources include:

- Incorporating environmental costs into the pricing of goods.
- Extending the responsibilities of producers for the environmental impact of their goods.
- Getting governments to operate environmentally sound procurement policies.

These proposals, while sufficiently radical for many in industry, are considerably softer than the change demanded by poor countries (referred to as the South) and their supporters in the non-governmental organisations (NGOs) in the rich North.

The South wants the North to sacrifice its high consumption patterns (OECD countries contain 20 per cent of the world's population and consume 80 per cent of its natural resources) and spread its wealth to the poorer countries. The North does not support this argument at all.

"There is a growing confidence in the OECD countries that major changes in production processes and in consumption patterns can be achieved without threatening economic prosperity and standards of living," Bill Long, director for environment at the OECD told the conference.

"There is a new feeling that industry can get it right, that the most eco-efficient companies can also be among the most profitable, and that economic growth can be de-coupled from levels of resource use and pollution," he said.

This reflects the approach being taken by the World Business Council for Sustainable Development (WBCSD). It is trying to present the arguments in such a way that business will see proposed changes as an opportunity rather than a threat.

The presence in Oslo of ministers from China, Korea, the US and European countries, as well as delegations from the OECD and the WBCSD, shows that the rich countries are taking the matter seriously. But the debate is still locked in broader political issues and there are few practical suggestions on how to move forward. "The idea has built up a big head of steam, but there is very little substance," said one government adviser.

Long says OECD member states are committed to the issue. "There is a mind set in our organisation and among others to help us move ahead. But there is a chance that it could all break down in North/South politics."

As if to support this fear the International South Group – brought to Oslo with all expenses paid by the host nation – issued a statement at the end which accused Norway of using the group's presence to "add legitimacy to the Oslo process".

The statement continued: "It is clear that the captains of industry and the power holders of the global system have managed . . . [to] legitimise the continuous pillage of the world's people and its resources . . . nothing has changed, nothing will."

Haig Simonian on the potential offered by supercritical water treatment of sewage

Alchemy of sludge

A millennium ago, Mike Modell would have been dubbed an alchemist. Although his process to treat wastes does not make gold, he believes its success in turning a variety of chemicals into reusable materials and clean water will one day shine as brightly.

Modell, a former professor at the Massachusetts Institute of Technology, decided to go it alone in 1980. With a clutch of colleagues, he reckoned that supercritical water oxidation – a well-known but under-researched phenomenon – had been inadequately investigated.

Understanding of supercritical water is not new. Scientists have recognised that heating water beyond 374 deg C and pressurising it to more than 217.7 atmospheres enables it to break down complex organic compounds into simpler chemical building blocks.

The problem is that while the magic temperature dissolves organics, it makes salts insoluble. Dealing with the salts has been the hurdle to harnessing supercritical water's potential. The salts can damage pipes and vessels and reduce their lifespan. The existence of solids can also clog and corrode valves and piping where flows are constricted.

The failure of scientists to eradicate the salts explains why supercritical water has been largely ignored, says Modell. Although widely written about, few researchers have pursued it on the laboratory bench. Obvious users, such as plant engineers and chemicals companies, have remained aloof.

Modell believes he has the salts licked. Through his company, Modell Environmental Corporation (Modec), he has taken out patents on overcoming the problems associated with supercritical water oxidation.

Now he is poised to go further. At a pilot plant at the Fraunhofer Institut für Chemische Technologie near Karslruhe in southern Germany, Modell's team is trying to prove that its technology works.

Siegfried Mayr, a Modec executive with a background in chemical engineering, is convinced. "The technology has already worked on the lab bench," he says. "Now we have to prove it can be scaled up."

The pilot plant, housed in a hut in the ICT's grounds, is still being tested. So far, it has been fed wastes ranging from pharmaceuticals residues to foul-smelling sewage sludge.

The plant has run smoothly. Waste is first heated with oxygen in a long, three-stage reactor tube. It is there that the supercritical water breaks the raw material down into simpler chemical oxides. After heating and cooling, the by-products are clean water, clean carbon dioxide gas and, in the case of sewage sludge, a an odour-free brown powder. As the system is completely sealed, there are no other emissions.

Modell believes there are dozens of applications. Sponsorship for the pilot plant came from the Baden-Württemberg state government and three German pharmaceutical companies seeking new methods of tackling their wastes. Normally, their residues would be burned in high-temperature incinerators. But obtaining planning permission for these has become increasingly difficult in Germany because of concerns about emissions of dioxins, which may cause cancer and birth defects.

The US defence department has financed research for its huge stockpiles of chemical weapons, while other potential users include pulp and paper mills and chemicals companies, which must deal with contaminated acqueous waste flows.

Modell believes sewage treatment offers the most commercially interesting application, especially in Europe. "Supercritical water oxidation is cheaper and more effective for dealing with sludge than any alternative," he says.

Modell argues that the technique costs half as much as incineration – the most competitive alternative – at $250-350 per dry tonne containing 10 per cent solids compared with $450-650 for combustion (including costs of stack scrubbing).

But does it work? The Karlsruhe pilot plant has been running since May 1994 and has processed up to 1,500 litres of acqueous wastes a day. It has provided engineering and design data for building a full-scale commercial unit. So far, destruction efficiencies (rates of eliminating unwanted substances) have exceeded 99.99 per cent.

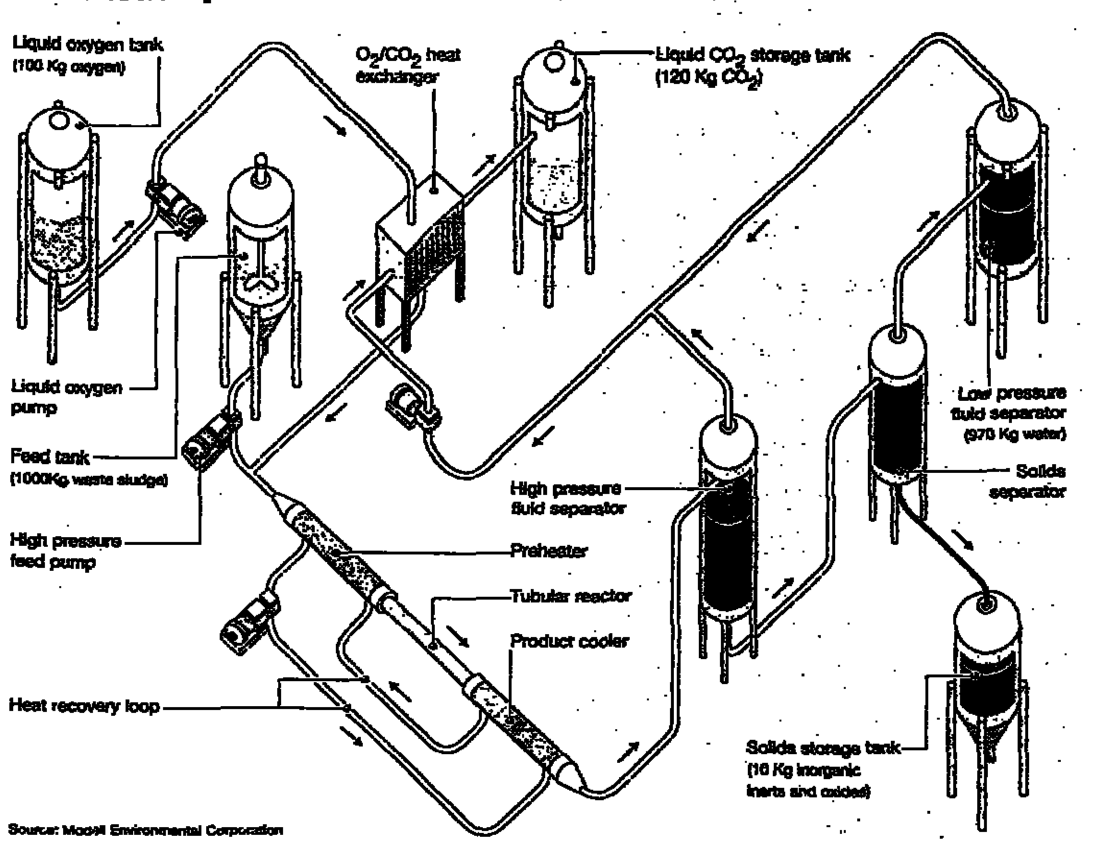
But it must prove it can run continuously for at least 120 hours without building up significant p18salts, says Horst Krause, head of high-energy systems at the ICT. "The chemistry works, but there are still some hurdles," he says.

A dour scientist, Krause will be tough nut to crack. Modell is confident his brainchild will work smoothly, especially with new cleaning techniques that scrub out its heat exchanger without stopping production.

If Krause and his colleagues are convinced, the future for supercritical water oxidation could be rosy. Endorsement from the ICT would be a powerful marketing tool in Modec's plans to obtain additional development finance. It would also help to persuade the pharmaceutical companies to build a demonstration plant at one of their sites.

Modell hopes to float his company by 1997. If all goes to plan, it could be worth its weight in gold.

The Modec process



Source: Modell Environmental Corporation

Putting waste to good use

Sewage sludge may never smell as sweet as fresh roses. But its potential qualities should not be dismissed, whatever its olfactory defects.

More than 900,000 dry tonnes of sewage were produced in England and Wales last year. Its composition varied depending on local dietary and household activities and, to a lesser extent, industrial and commercial discharges.

Between 50 per cent and 75 per cent of the dry matter was organic, 5-10 per cent was grease and the remainder comprised inorganic compounds such as nitrates and phosphates.

Just over half was used as fertilisers in agriculture. Of the remainder, 22 per cent was disposed in the sea, 11 per cent used as landfill while 9 per cent was incinerated.

Both landfill and sea dumping are environmentally controversial and increasingly expensive. Germany has restricted landfill of organic compounds; other countries are thinking along similar lines. Even where landfill is still permitted, higher standards mean that prices have climbed. Landfill is also limited by the number of suitable sites.

Dumping at sea, meanwhile, is being restricted because of environmental concerns and ocean treaties and is being phased out in many countries.

Some utilities, such as the UK's Yorkshire Water, are turning to incineration. With the latest combustion technology and suitable scrubbing filters for flue gases, sludge can be burned without releasing toxic dioxins to the atmosphere. Incineration can also produce steam for local heating or electricity schemes.

The drawback is the cost. Incinerators only make sense in urban areas. Elsewhere, transport charges and the environmental impact of frequent sludge deliveries makes them uneconomic and unattractive.

Environmental concerns over incineration have also made planning procedures cumbersome, and few residents want an incinerator in their backyards.

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CONTRACTS & TENDERS

FINANCIAL TIMES SURVEY

International Conferences & Exhibitions

Wednesday February 22 1995

A spate of new building projects is getting under way as the industry, with its confidence renewed, prepares to meet the needs of ever more demanding customers, writes **Diane Summers**

Showing signs of recovery

As the conference and exhibitions business starts the long climb back to health, it has become clear that the recession, as in many other sectors, has etched permanent changes in the landscape. Simply put, the customer now expects more bangs for the buck, and is likely to continue to do so, even if expenditure on events carries on rising.

As in all areas of marketing communications spending, the emphasis is increasingly on the measurement of effectiveness, targeting and accountability. Clients feel confident about demanding greater quality without necessarily paying a higher price.

Business certainly does appear to be picking up worldwide and renewed confidence, plus customers' changing technological needs, has resulted in a spate of vast building projects.

In the US, for example, the largest convention centre, Chicago's McCormick Place, is scheduled over the next two years to expand by a third. The centre, which hosts among other events, the Chicago Automobile Show, with over 1m guests, is booked almost solid for five years, and has reservations to the year 2010.

The development of Asia-Pacific economies has meant that events are increasingly likely to be held in that region. International exhibition and convention visitors to Australia, for example, rose by 28 per cent last year. Sydney's Darling Harbour centre is operating flat out to accommodate exhibitions, and there are proposals for new building which would double floorspace.

Hong Kong saw a 48 per cent increase in the number of corporate meetings held in 1992 (the latest year for which figures are available), while attendance at trade shows was up 23 per cent that year. The government has earmarked HK$4.8bn to extend the Hong Kong Convention and Exhibition Centre on Hong Kong Island. Meanwhile, in Singapore, a S$600m International Convention and Exhibition Centre is about to open.

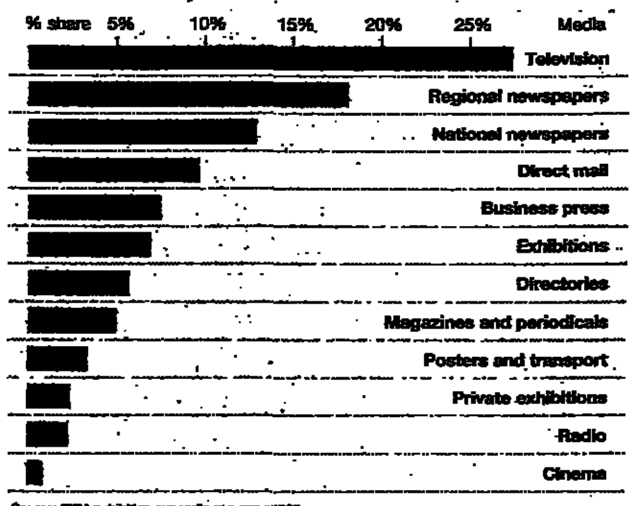
In Europe, London Docklands hopes to be able to compete more vigorously with other European centres by 1998, when the first £100m phase of an exhibition and conference facility is due to be completed.

Worldwide figures for the conference and exhibition industry are not collated, but in Britain, for example, the Incorporated Society of British Advertisers, which has been collecting exhibition expenditure data from its members for 25 years, reports that spending by British companies was up 12 per cent to £630m in 1993, the latest year for which figures are available, after having fallen by 11 per cent between 1989 and 1992.

Research conducted for Confex, the meetings and events exhibition which opened at Earls Court, London, yesterday indicates that 29 per cent of organisers have spent more on conferences during 1994 and 22 per cent have increased their spending on exhibitions.

The industry's fortunes have shown themselves to be "late cycle" in most countries, with recovery generally following 18 months or so after the wider pick-up in the economy, according to Mr Neville Buch, chairman of Blenheim, one of the largest exhibition organising groups. The company was particularly badly hit in France, where the amount of space being booked for exhibitions has declined by over 20 per cent in the past two years, he says.

Total UK advertising expenditure by media, 1993



Source: ISBA exhibition expenditure survey 1993

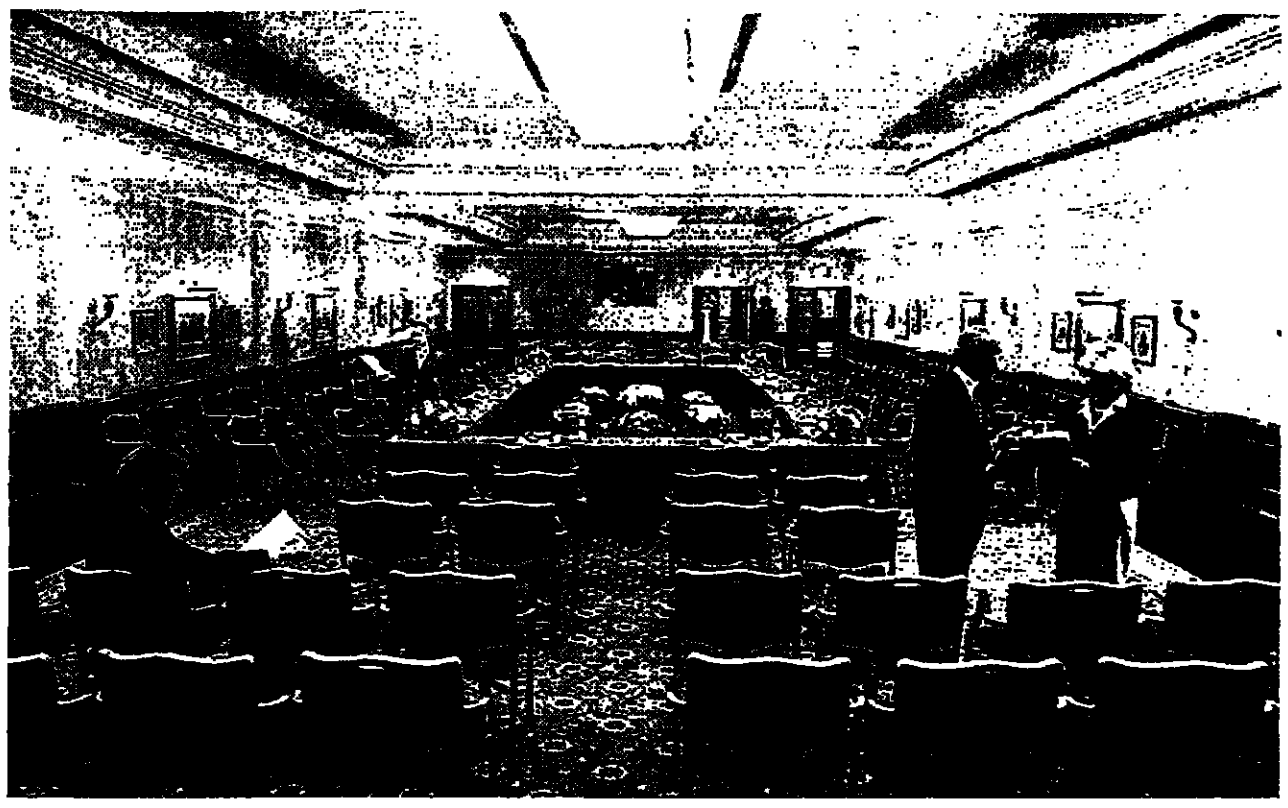
The time lag is particularly pronounced in those sectors where exhibitions and related conferences are held only every two years, for example agricultural machinery and electronic components. Here, it may take a full four years for recovery to become apparent. But in other sectors which are closer to the high street and have records of high product innovation, such as information technology and clothing, the pick-up has been faster.

Hotels, too, are beginning to report improvements in conference business. For example, Mr Alex Stuart, UK southern operations manager of De Vere Hotels, says that about half of all bookings are currently for conferences. Five years ago up to 65 per cent of all business was conferences, dipping to 35 per cent or so during the leanest times.

While those who argued that the exhibition and conference sector would be relatively impervious to recession have been proved over-optimistic, it appears that the sector is continuing to take market share from other media in the UK. However, it may have achieved its full potential in some countries, including Germany and the US. A decade ago the sector accounted for about 4 per cent of all promotional spending in the UK, a figure which has climbed to just under 10 per cent.

Says Mr Paul Swan, group managing director of Spectrum Communications, one of the largest corporate event producers in Europe: "We have a number of clients who have taken money out of advertising budgets and handed it to us for conferences and exhibitions. With limited money to spend, they realise that, in certain circumstances, it's possible to achieve far greater effect by spending on a highly-targeted event than on advertising."

Indeed, in some emerging markets the exhibition may be the only way for suppliers to reach potential customers because there is often no established trade press, says Mr Buch. In Moscow, for example, there are currently seven or eight building exhibitions each year, although it is expected these will consolidate to one or two over the next five years.



The Hyde Park suite at London's Mount Royal Hotel. Conference business is once more on a rising trend in UK hotels

The importance of the company conference to motivate staff, effect organisational change and communicate the corporate message has become increasingly recognised, says Mr Swan. The greater the part played by computers in management – many field sales forces, for example, now communicate with their supervisors largely by electronic mail – the greater the need to gather in person from time to time to emphasise that everyone is "in the same team, on the same mission," he says.

For sales forces, in particular, the conference may contain a high incentive element. The "jolly", perhaps to an exotic location, has certainly been scaled down in recent years: it is poor public relations to take some of the workforce to, say, Hong Kong, while making others redundant.

But, as sales forces themselves have been slimmed down, the issue now becomes how to motivate those staff who are left, and the incentive conference is starting to reappear. Says Mr Swan: "We have run a number of conferences recently where the message has been 'If you're in this room now, you are part of our future'."

Ways of making such incentives more affordable include scaling down the size of conferences, making them shorter and picking economical locations. The trend for all types of conferences is for them to be held over fewer days.

Mr Mark Wallace, whose company Mark Wallace Associates focuses on the production of smaller conferences, is finding that Spain and Portugal are particularly popular destinations for sales events, and that longer-haul flights are still being eschewed on grounds of economy.

Companies also seem to have cut down permanently on food and drink at conferences, according to Mr Stuart. "Alcohol is definitely out at lunchtime now. On food, about four years ago, at association conferences you'd stuff them silly at lunchtime and then in the evening you'd give them a massive five-course meal," he says. Now it's a two-course lunch, and the cakes with afternoon tea and biscuits at the coffee break have largely disappeared.

There have been permanent changes, too, in the exhibition sector, says Mr Reg Best, exhibition specialist at the Incorporated Society of British Advertisers. During the recession exhibitors reduced their participation in events, took less space, increased their use of modular displays which could be reused, and drove down rates by making their bookings later and later. In his view, customers will retain their power to negotiate as the recovery proceeds and there will be no return to the kind of price inflation which hit all advertising media during the 1980s.

There has also been a decline over recent years in the large industrial exhibitions covering, for example, mining and offshore drilling and a move to smaller, specialised events. At the same time, consumer and leisure exhibitions – catering for skiing, holidays and other leisure and home activities – have seen growth, as have private exhibitions held in showrooms, shopping centres and stores. Information technology and the impending "information superhighway" are the other obvious areas for continued exhibition development, says Mr Best.

Tim Burt spotlights the more attractive sites for big international events

Where Britain is lagging behind

Turku, the wintry Baltic Sea port, does not spring to mind as a leading conference venue. Against competition from the likes of Acapulco, Venice and Strasbourg, most conference delegates would probably not be able to place it, let alone rate it as a worthy destination.

The Finnish ferry hub, however, not only attracted more international conventions than those exotic locations but also outperformed self-proclaimed conference leaders such as Birmingham, Toronto and San Francisco, according to last year's venue survey by the International Congress and Convention Association.

The association, which compiles information on international meetings attended by more than 100 delegates, also placed Finland among the world's top 15 countries in terms of the number of events hosted in 1993.

Although distant locations including Havana, Stresa in Italy and Chiba in Japan have all joined the ICCA's league tables in recent years, the convention business continues to be dominated by western European cities which have invested heavily in modern conference centres and can rely on lasting popularity with delegates.

Market leaders such as Vienna and Paris owe much of their success to repeat business from international associations which decide where to hold their conferences on strict criteria, says Mr Dick Ouwehand, secretary general of ICCA.

"Conference organisers are influenced by the infrastructure of the host country, political and economic stability, safety, availability of an international airport, and direct and comfortable connections with the [convention] centre and hotels."

It should be no surprise, therefore, that the US attracted more than 170 international association meetings in 1993, compared with just one in Bosnia-Hercegovina.

The ability of less developed venues to attract leading events has also been hampered by a widening gap between the "haves" and "have-nots". While cities from Adelaide to Zaragoza try to establish themselves as credible alternatives, their efforts are being overshadowed by spectacular building schemes in richer locations.

Singapore, for example, hopes to lure more international conferences to its new S$600m International Convention and Exhibition Centre, due to open next month. Hong Kong, similarly, has unveiled plans for a HK$5.5bn extension to its convention centre, while Osaka has opened the doors of the $1.3bn Asia Pacific Trade Centre.

Unlike many older conference venues, particularly in Europe, these new "super complexes" promise interlinked exhibition halls, high technology auditoriums and large hotels.

"Convention centres have to provide more technologically advanced services and that requires heavy investment," says Mr Roger Beadle, vice-president in charge of sales at the Los Angeles Convention and Visitors Bureau.

Although the city has spent $500m expanding the LA Convention Centre, plans for further investment could be hampered by budget constraints on local authorities in southern California.

In the UK, meanwhile, conference organisers warn that the absence of such convention centres with dedicated hotels could drive away big international events.

Ms Penny Thomas, sales director of Banks Sadler, one of the country's leading conference venue finding agencies, says: "The UK is pretty poor compared with other countries. We have the ICC [in Birmingham], Harrogate, Bournemouth and Brighton. But these centres are not residential.

"There's a tremendous shortage of residential locations for commercial clients running conferences with more than 250 people."

Her views are echoed by Mr Peter Rand, chairman and chief executive of the Rand Group, which organises 3,000 conferences a year in the UK and overseas.

"There's greater demand for larger hotels than the UK can supply. There are only a dozen hotels outside London that can accommodate conferences of more than 300 delegates and it's not sufficient. The same is true in continental Europe."

Nevertheless, the UK's non-residential conference business is buoyant with more than £150m invested in new centres in the past two years, including £38m on the Edinburgh International Conference Centre and £29m on the Belfast Conference and Concert Centre.

Investment in such centres reflects rising bookings from exhibition organisers who are preparing to stage more events as UK companies increase promotional spending after cutting back during the recession.

"Forward bookings are looking very encouraging: it's a good indication that overseas trade is picking up," says Mr Brian Rusbridge, director of the Association of Exhibition Organisers.

Despite misgivings over hotel capacity, the UK appears to be winning a steady amount of business. Indeed, it is ranked second in the ICCA's league of countries staging most events.

The popularity of cities such as London and Edinburgh should guarantee a steady flow, irrespective of newer facilities outside Europe, according to Ms Ghislaine de Coninck, head of the congress department at the Union of International Associations (UIA).

With almost 90 per cent of conferences organised by UIA conducted in English, UK cities should have a head start in bidding for events.

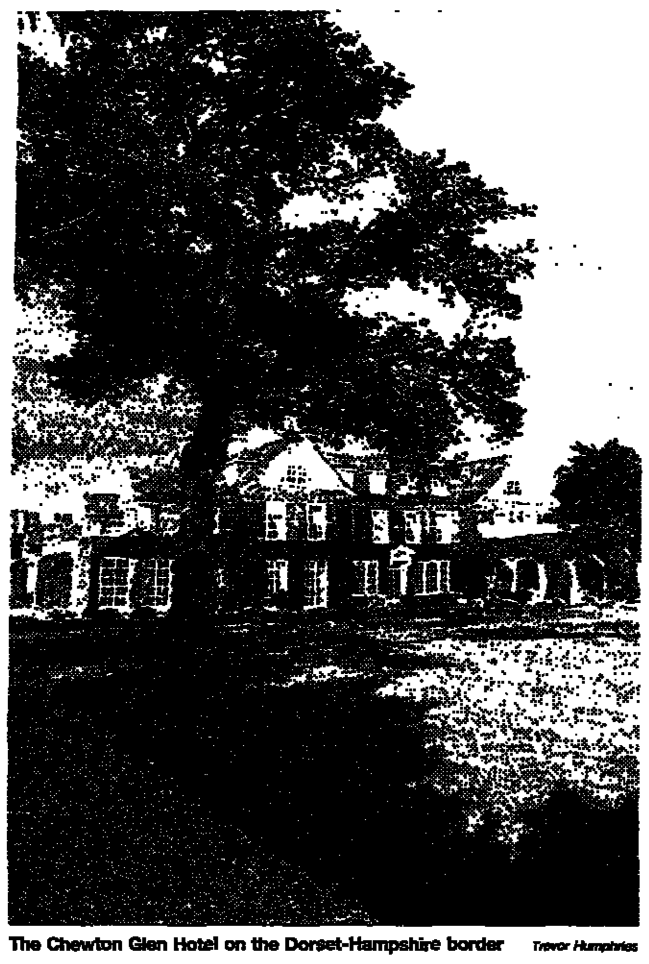
"London is a leading destination because of that, and has been for 10 years" she says.

In a bid to retain that market dominance, the London Docklands Development Corporation has drawn up plans for a £100m exhibition and conference centre close to the City airport, while a rival group is planning a west London convention complex to supersede Earls Court.

Such developments are essential if cities such as London are to fight off the challenge from rivals in south-east Asia and North America.

As they are completed and draw bookings from conference organisers, it should polarise the venue business into a super league of cities which have invested consistently in new facilities. They are expected to dominate the industry, with only niggling competition from less developed locations.

"There may be a place for towns like Turku in this business," says one conference organiser. "But I doubt they will stay in the big time for long."



The Chewton Glen Hotel on the Dorset-Hampshire border Trevor Humphries

Scheherazade Daneshkhu looks at where to stay

Hotels see welcome recovery

With the ebbing of the recession in Europe and the US, hotels report a welcome recovery in the conference market over the past 18 months.

Travel budgets were one of the first items to be cut during the recession and only 6 per cent of room nights sold in major UK cities were conference-related in 1991, according to Pannell Kerr Forster Associates, management consultants, compared to 11 per cent in 1993. Last year, UK hotels derived £545m of their income from the conference market.

The effect on the market is evident, however, with conferences tending to take place over shorter periods than before, while cost-consciousness is high on the agenda. "The main demand – and it seems to be the message on the 1990s – is value for money," says Ms Claire Drewer, manager of logistics at Spectrum Communications.

Conference organisers have a wide choice of hotel venues among which to search for value. But since high standards of service are also demanded, the balance between price and service can be hard to strike. One choice available to organisers is to seek out the smaller, often independently owned out-of-town hotels, rather than the large hotel chains.

Mr Peter Rand, chief executive of Peter Rand Group, the conference placement service, says one advantage of smaller hotels is that they can be taken over by the conference. "If you have a conference for 20-30 people in a 300-bed city hotel, a lot of other activity is going on which can make getting service for unplanned events – such as changing the lay-out of a room at short notice – more difficult than in a small hotel," he says.

Some of the theoretical advantages of large hotel chains – such as the ability to provide set levels of service and accommodation – are not evident in practice according to some organisers. "If you are organising a road show, you could buy every hotel from one chain to increase your bargaining power but the standard of hotels can be very different," says Ms Drewer.

"A large chain doesn't necessarily give consistency," says Mr Ian Harvey-Piper, technical director at Technovation, which provides technical services to conferences. "For example, the Birmingham Metropole is of a much higher standard than the London Metropole."

To get around this problem, some chains, such as ITT Sheraton, Hilton International and Jarvis Hotels, the privately-owned UK group, offer service guarantees or money back while the Inter-Continental chain, which relies on business travellers for 80 per cent of its business, has a reputation for understanding the needs of the conference market.

The Worcestershire-based Meetings Industry Association says that organisers of small-scale events tend to prefer out-of-town hotels but that city hotels have the advantage when numbers above 100 are involved.

Its research also shows a relationship between the location of the hotel and the type of event. Sales conferences, training courses and management meetings prefer out-of-town hotels but the city centre is a clear favourite for product launches and annual general meetings. The overwhelming majority of organisers – 80 per cent – choose a geographic location before selecting a hotel.

There can be disadvantages to the smaller hotel. Many do not have dedicated business centres, which are increasingly demanded by delegates. They can also struggle to provide syndicate rooms whereas large hotels tend to have purpose-built conference rooms, which can be easily split up into meeting rooms.

The lack of standardised accommodation can also be a problem. Ms Lesley Claff, managing-director of Meeting Point Conferences, says the quality of bedrooms in some small country hotels varies considerably, which can upset some delegates.

She also says that the tight margins on which small hotels tend to operate can also make it difficult to cut a good deal, whereas the chances of negotiating a big discount is greater with large hotels. While this may be true of an agency which is doing a lot of business with a chain of hotels, Mr Harvey-Piper says that smaller hotels are more likely to give a discount for a one-off event than a large hotel.

Where out-of-town hotels come into their own, however, is in the incentive conference market. Many companies have had to cut back on incentive travel, according to Mr Mark Batey, a director at Purchasepoint, the marketing agency, and can no longer afford both conference-related activities and incentive holidays. They are therefore tending to combine the two by holding conferences in stylish hotels in desirable locations.

French chateaux fall into this market as do destinations such as Barcelona – currently one of the most popular – Cannes and Sydney. Cyprus is hard to beat in terms of value for money, says Mr Batey, with a good standard of hotels and leisure facilities. In the UK, Hanbury Manor, set in 25 acres of Hertfordshire countryside, which boasts gourmet cuisine and a heli-pad, is recommended by many organisers as are Chewton Glen and Tylney Hall in Hampshire and Gleneagles in Scotland.

To compete with the large chains, small hotels must have the health club facilities now regarded as standard by delegates. They also need to make themselves known, and many band together as a marketing exercise. A central reservation facility is also a big help. Small Luxury Hotels of the World has a central reservation system while Relais and Chateaux says one should be available by the end of March.

The demand for technology has become increasingly important. "We often go to hotels to see if their bedrooms have computer lines so that delegates can use their E-mail system," says Ms Drewer. "Some hotels provide business TV links which allow the delegate to switch on to a certain channel and see the conference agenda. The same system may also be used to transmit a corporate video."

In the end, the choice of hotel venue depends on the type of conference being held and the budget available but many organisers say that it is still often being unnecessarily restricted by the continued prevalence of holding conferences at relatively short notice.

■ World's top venues: **Chicago**

A site that's big enough

Most of the 33m pounds of equipment that the Association for Manufacturing Technology hauled in for its 1994 show was so large it had to be installed with cranes, according to Mr Elwood Hasemann who has run the association's shows since 1981. He had no doubt about where to find a hall big enough to handle his show: Chicago's McCormick Place.

"We're a heavy machinery show," he says. "McCormick is the only place that can handle our show."

Perched on the shores of Lake Michigan, McCormick Place is the largest convention centre in the US and is due to grow by nearly a third in the next two years. At present the centre comprises two buildings with a total of nearly 1.5m sq ft of exhibition space. The new South Building, scheduled to be completed by February 1997, will add another 870,000 sq ft, bringing the total square footage available for exhibits to nearly 2.4m.

Indeed size, while one of its virtues, can also be one of the centre's flaws. "It can be very cold and very big," says Mr James Sobczak, director of convention services.

It is a problem Mr Sobczak and his colleagues at McCormick Place are working to address. "We've taken great pains to make ourselves warm and fuzzy," he says.

To accomplish that, they have spent $50m on new carpeting and decorations for the lobbies and have added signs to help visitors find their way from one hall to another.

Mr Hasemann says he has avoided problems that might arise from the hall's overwhelming size by dividing his group's shows by product type "so it is like a whole series of shows under one umbrella".

In addition to its size, McCormick Place offers high-tech options for exhibitors including fibre-optic cable that allows for the rapid transfer of information.

The Radiological Society of North America used the fibre-optic technology to demonstrate how pictures produced by a magnetic resonance imaging machine could be sent to doctors at remote locations.

"The world is becoming very technologically advanced and the fibre-optic cable is the thing that has been most helpful to exhibitors selling their products," Mr Sobczak says.

But as important as size and technology are the basics such as sleeping, eating and parking. The latter is cheap and ample, the other two come at a price but are widely available.

The only time parking can be a problem is during the Chicago Automobile Show, which hosts about 1m people over 10 days. For most conventions, the centre's four parking lots with 12,000 spaces, each costing $8 a day, more than suffice.

For those who do not want to drive, McCormick Place is about a 10-minute bus or train ride from downtown. On those bitterly cold winter days for which the Windy City is famous, the best way to get there may be on the commuter rail which runs from underneath the centre to an enclosed complex that has three hotels in addition to shops and restaurants.

If neither buses, trains nor cars are the preferred form of transportation there is an airfield for corporate aircraft adjacent to the halls.

A hotel room in downtown Chicago is less expensive than in New York, but not by much. The average single room at a corporate rate costs $160 a night, which is less than the $210 that might be needed in New York, but not as cheap as a stay in Los Angeles, according to Runzheimer International, a travel management and consulting company. Runzheimer calculates that three meals in Chicago would cost about $50 a day compared to $79 in New York.

Like New York, Chicago is loaded with activities for convention visitors wanting to take some time off and explore. The city is famous for its natural history museum; it boasts professional football, basketball and baseball teams for those wanting to attend a sporting event.

But getting a date at McCormick Place is not necessarily easy. Already, sales people are booking conventions and shows as far away as 2010. Mr Sobczak says the existing buildings are close to booked solid through the next five years in part because many groups rebook year after year.

"About 70 per cent of business is repeat business every year on a regular pattern."

Lisa Bransten

"It was hell, but you had to do it."

Harriet Arnold looks at how the big international shows are constantly adapting to new circumstances

There's always room for improvement

This heartfelt recollection by one regular exhibitor and visitor of her fraught participation in past big international shows would pain and surprise organisers and exhibitors of today's trade events.

Behind the modern, well-honed equivalents of all the enticements and dazzling arrays that have characterised fairs since the middle ages, impresario-like organisers are attempting to complete the transformation of their sprawling shows into tightly managed business forums.

But the biggest room in an exhibition will always be room for improvement.

Maintaining success is a constant struggle. As *Tradeshow Week*, US magazine, observes of its ranking of the top 200 US trade shows: "Sometimes a large show can become unwieldy and that has serious repercussions . . . It takes a highly trained staff to manage the logistics of a mega show and satisfy the expectations of exhibitors and attendees."

One route round that, says Mr Staffan Svenby, group managing director at leading exhibition organiser Blenheim Group, is to have the "flexibility to act as a broker" between the exhibitors and buyers. "So long you as satisfy the industry, competitors will be confined to small niche activities," he adds.

Mr Peter Cole, publisher of UK-based Exhibition Bulletin magazine, warns that shows must "make sure they don't leave a niche that becomes set up by someone else as a rival attraction. The successful shows are the ones that are moving and reshaping constantly."

Exhibitions 25 years ago were huge spectacles that crammed venues just once or twice a year. They are still big, but they are now aligned with separate industry sectors – their unofficial motto seems to be "business focus" as they slough off their traditional PR function.

CeBIT, the huge Hanover information technology exhibition, split from its parent, the general industrial Hanover Fair 10 years ago.

A typical device for developing as an industry forum is showcase schemes. This year at CeBIT, for instance, virtually the whole Australian communications and IT industry will take part in special stands and related conferences, lectures and workshops, says Deutsche Messe, the state organiser.

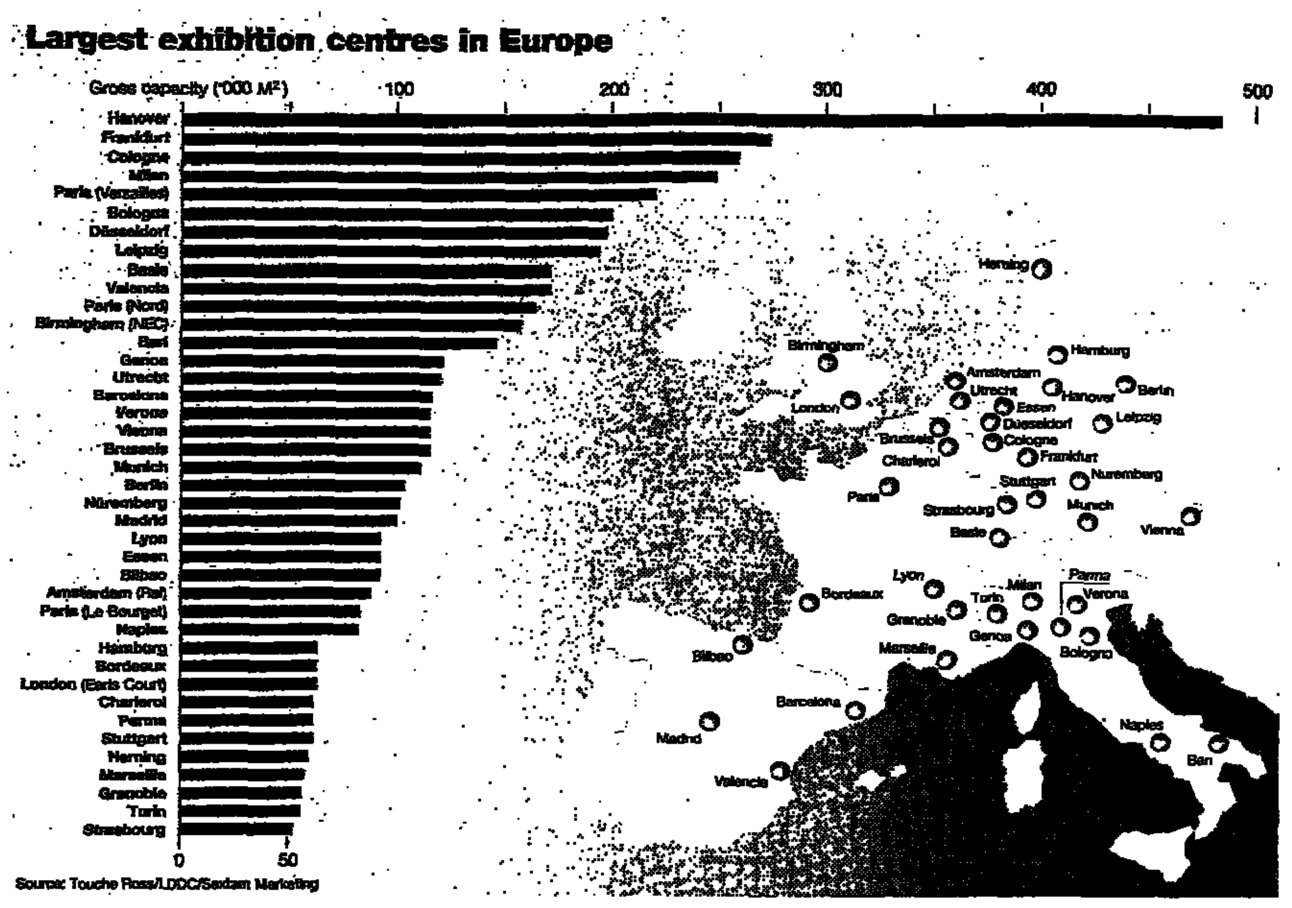
Organisers must give much more than entrance through a door, says Mr David Pegler, UK managing director, Blenheim Exhibitions and Conferences. He cites education, debate and special promotions as functions of a leading exhibition.

The key to a successful big show, says Ms Fiona Jeffery, exhibition director of Reed Exhibitions Companies' World Travel Market, "is a good event in the first place plus talking closely to the industry – the closer you are the better".

WTM is probably the biggest annual gathering of the tourism world at senior management level, at London's Earls Court. It too has "created focuses within a bigger event." For example, top buyers have a dedicated preview day; they are pre-registered, given a list of exhibitors and encouraged to make appointments beforehand. This is welcomed as "very worthwhile" by Mr Peter Haworth, of the East Asia Travel Association.

He adds that WTM is "probably the best of its kind in the world" because it is trade-only and "is guided by participants".

WTM has developed two spin-off niche regional events, Arabian Travel Market and Asia Travel Market. "The Middle East wasn't well-positioned but had a good product, which needed to be sold," explains Ms Jeffery.



Source: Touche Ross/LDDC/Sedam Marketing

Montgomery Exhibitions this year celebrates the centenary of Interbuild, which claims to be the largest building and construction exhibition in the English-speaking world. In 1991 Montgomery "radically reshaped" Interbuild's layout at Birmingham's NEC, for instance by establishing "focused product sectors" within each hall, explains Mr Christopher Newton, Montgomery's managing director. "We now provide non-commercial areas of editorial displays, features and seminars – Forums – to provide more technical and industry knowledge."

The US's largest trade show by far is Comdex/Fall, a sort of computing festival that takes place in Las Vegas's Conventions Centre and Sands Expo and Convention Centre. It has 13 miles of exhibition aisles and up to 200,000 visitors; many participants report "simply amazing parties, gossip and deals". But it is also where Mr Bill Gates, the Microsoft chairman, is likely to outline his next visionary move.

Mr Peter Shaw, vice-president of marketing at The Interface Group, Comdex organiser, says: "We keep vital by ensuring that we are reflecting what is new." For example, the first showcase on the infant multimedia trend was small but "very visible," he says. "Now it has been transformed into a showcase of around 600 exhibitors."

To help the visitor, Interface produces a show guide and provides a comprehensive newspaper-type guide featuring scheduled announcements. There is an electronic version of the guide with a wordsearch function. A daily newspaper lists key events and provides a news round-up.

The giftware International Spring Fair and its sibling Autumn Fair at the UK's NEC have had to cope with strong diversification by exhibitors in the 1990s. The show has tried to reflect this, says Mr David Metcalfe, managing director of organiser Trade Promotion Services, "and in a sense, it now has lots of exhibitions under one roof." Related exhibitions run alongside the main Autumn Fair.

This develops, says Mr Metcalfe, the "bonus buyers" – the cross-over audience that comes from exhibitions within a show working together and "feeding off each other". His problem – as for organisers at venues the world over – is that "the NEC is of a finite size – the International Spring Fair could be much bigger."

Mr Paul Masson, marketing director at Viners, the UK-based cutlery company, welcomes the moves made by TPS, but adds that there is also a role for smaller, more select exhibitions. "All the big customers are going to come to the big shows – but so is a lot of through traffic."

Mr Mike Agostini, who runs the UK-based Exhibitor Club, complains that "everyone gets hooked on the numbers game" leading to unrealistic expectations. "What organisers should be saying is not that exhibitors are going to meet 20,000 people, but that they are going to have 300 business meetings," he says.

■ World's top venues: **Sydney**

User-friendly advantages

Mr Tom van Amerongen, who runs Sydney's Darling Harbour convention and exhibition centre, sits in a modest backroom office while the harbour sparkles outside. "We have two drawcards," he says simply. "The city of Sydney and the facilities. It's in that order – the city is first."

Peer through the window, and it is easy to see the logic of Mr van Amerongen's argument. Not only does Sydney have huge natural advantages – the harbour, generally clement weather, good surrounding attractions – but it is a functional city, spared the population pressures of Asian centres and, for the most part, extremely user-friendly.

Moreover, the Darling Harbour centre, the dominant exhibition and conference facility, was developed only in the late 1980s, and has carefully built on these advantages.

For example, when the publicity blurb talks of five-minute access to the central business district in which many of the city's larger hotels are located, it is not actually pushing the point.

Sydneysiders may detest the overhead Monorail which runs round Darling Harbour into the main shopping centre. But for a conference delegate, who wants wants to hurtle to or from hotels and restaurants, it is a big boon. Even a taxi ride from the CBD to the centre costs no more than $5-7. Better still, the distance can be walked, free of traffic fumes, in 10 to 15 minutes.

The convention and exhibition centre itself offers five large interconnecting exhibition halls. Adjacent are a range of conference and meeting facilities, including a plenary hall and theatre, which can seat 3,500 people, and banqueting facilities servicing around 1,600. According to Mr van Amerongen, the exhibition facilities are about 80 per cent booked for the immediate future; conference capacity, however, is less restricted.

Local officials like to play up the possibility of combining exhibition and conference facilities, something which they claim is a rarity on the convention circuit. "More and more, conferences have an exhibition component," says Mr van Amerongen, citing financial considerations as the driving force. He points to medical gatherings, for example, where the economics of the convention may change significantly if drug companies can be encourage to exhibit at the same time. This can effectively underwrite the accompanying conference proceedings.

Nevertheless, even Mr van Amerongen admits that Sydney facilities are optimised by large gatherings – upwards of 1,000 people, say. This fact, coupled with the occupancy levels, means that there is a considerable push to get the centre expanded.

Advocates of expansion note that, at the back of the complex and currently separated from it by a road and the monorail, is an old government printing office. Next to it is a cleared site where a mammoth woolstore burnt down.

The idea is that these two sites could be used to double the exhibition space by around 25,000 sq metres, and a "link" foyer could be built connecting new and old space. Through this, the transport facilities could pass. The idea has some backing from the current state government. Much, however, may depend on how New South Wales' fluid politics pan out; state elections are to be held next month.

The obvious drawback to Sydney as a conference or exhibition centre is the travel time for international attendees, and the fact that the number of overseas visitors who will just "drop in" is limited.

Officials take some comfort from the general improvement in international air services; while these are subject to the vagaries of the commercial aviation industry, travel times and services have generally improved over the years.

Moreover, the recent, rapid growth of Asia-Pacific economies has tended to shift the focus of organisers of international trade-based conferences. As the number of likely Asian attendees has risen, the desire to centre conferences in the region has increased. Today, Mr van Amerongen sees his main competition coming from Hong Kong and Singapore.

Finally, while there is no doubt that Sydney holds the commanding role in Australia's conference and exhibition market, its pre-eminence should not be overstated. According to the Bureau of Tourism Research, the number of domestic visitors to Sydney who gave convention business as their main purpose of travel was 195,000 in 1993-94, while those going to Melbourne for the same reason totalled 146,000. The international figures for 1993 stood at 21,505 for New South Wales and 11,308 for Victoria.

As in all things, the two cities compete fiercely – though the new Melbourne exhibition centre, with 30,000 sq metres of space has yet to come on stream, giving Sydney a decided edge. Perhaps all that can be safely said is that Australia's convention and exhibition business overall is growing sharply; the number of international visitors coming for this reason rose by 28 per cent in the 11 months to November, over the same period in 1993.

Nikki Tait

■ World's top venues: **Hong Kong**

State-of-the-art facilities

Hong Kong prides itself on being the acceptable face of Asia, providing a sanitised interface to the world's biggest growth regions. Conferences held there benefit from being in the hub of Asia but with all the niceties of the developed world: sophisticated telecommunications and transport, more than 37,000 hotel rooms and a broadly English-speaking populace.

The colony boasts one telephone for every two people, and cellular penetration is one of the highest in south-east Asia. It is also small and densely populated: the ride to the Central financial and retail district from the airport is one of the shortest in the business world and can take just 30 minutes. Taxis are cheap and generally plentiful and there is also an efficient public transport network, with underground trains, buses, ferries and trams.

Nearly all the big hotel chains are represented and rooms, while not cheap, are plentiful. (This stands to change as developers pull down hotels to make way for more lucrative office-and-retail blocks.) Hong Kong is itself a favoured business destination and the world's eighth biggest trading economy, thanks in part to its low tax structure and well-developed infrastructure. As such, a sophisticated financial services and centre has evolved to meet the needs of an international community.

The colony has played host to a number of international events, from the annual Rugby Sevens in March to the 75th Lions Clubs' International Convention in 1992, which brought in a record 25,000 delegates.

It is partly with an eye to Hong Kong's appeal as an international meeting point that the government allocated HK$4.8bn in its 1993 budget to extend the Hong Kong Convention and Exhibition Centre, a purpose-built complex on Hong Kong island and venue for a mix of trade fairs, fashion shows, seminars and conferences.

The centre currently has two main halls, each of around 9,000 sq metres, plus convention rooms and theatres. Its capacity will roughly double by mid-1997, when the expansion – which entails land reclamation – is due for completion.

Mr Owen Chi, assistant executive director of the colony's Trade Development Council, believes the extension will enable Hong Kong to retain its competitive edge as other countries in the region, including China, build facilities. Hong Kong costs are generally higher, but he says value is also better in terms of contacts made and business executed.

The centre hosts 50 to 70 big events a year, almost as much as the existing facilities can accommodate. These events are organised either by the TDC, as in the case of the Watch and Clock Fair, one of the biggest in the world, or by private organisers who are responsible for the Leather Fair, among others.

Says Mr Chi: "In Hong Kong trade fairs are successful because we have industry backing, which means all the suppliers are brought together in one place, while the buyers come in because of Hong Kong's convenience from virtually all the main flight locations.

"Moreover, as all these trade fairs are becoming much more international, overseas companies are coming to Hong Kong to develop and cultivate the market."

Throughout Asia, only Hong Kong offers state-of-the-art exhibition facilities, he says. Hong Kong is also an attractive venue for the mainland enterprises, which are increasingly using the territory as a platform to promote their business to the world. This in turn enhances Hong Kong's appeal.

Apart from the centre, conventions can be held at the Stadium, which seats 40,000; the Coliseum, an indoor venue accommodating 12,000 in tiered seating; or the Cultural Centre, where two large theatres seat 2,100 and 1,700 people. Conveniently located meeting facilities, seating from 10 people and upwards, are available at civic venues, convention centres and hotels.

For rest and recreation, Hong Kong offers a shoppers' paradise and a wealth of restaurants. Though a visa is required, southern China can be reached by air, train, boat or bus, either for business or pleasure. Hong Kong itself still offers the jaded business delegate country rambles, temples and snake markets.

Louise Lucas

Diane Summers on making the most of exhibiting

To show or not to show

Red carpets, white ropes cordoning off exhibits, and disdainful salesmen studiously avoiding handing out catalogues to the public.

All are images from motor shows of the distant past, but serve to illustrate how any industry can end up putting on an exhibition for itself, rather than focusing on the needs of the public, says Mr Tony Ball, the veteran marketer and exponent of "industrial theatre".

Mr Ball is scheduled today to tell a seminar at Confex, the conference and exhibition show at Earls Court, London, how companies can make the most of exhibiting. Events to his name include the opening ceremony of the Rugby World Cup and the staging of the British International Motor Show at Birmingham's National Exhibition Centre.

The first task is for a company to define whether the show is for the trade, is a public exhibition, or is a combination of the two, he says. "You sometimes see people aiming clearly at trade customers at a public exhibition. They discourage people from visiting their stands because they're only there to sign up contracts with potential suppliers or dealers. The public is an added nuisance."

The job of verifying the numbers attending an exhibition and the profile of visitors – and so whether it is worth exhibiting – is easier than it used to be, says Mr Reg Best, the Incorporated Society of British Advertisers' exhibitions specialist. "Turnstile swinging", when exhibition organisers inflated numbers, is a thing of the past. The Audit Bureau of Circulation has established a verification scheme in the UK, and there are hopes that an international standard can be worked towards in the future, he says.

One of the worst reasons for deciding to attend an exhibition is solely because competitors will be there, says Mr Best. ISBA's own annual survey shows that for nearly 70 per cent of members this is, indeed, still a strong factor in deciding whether to take a stand.

Nor should companies go to an exhibition with the main aim of assembling a list of names of prospects, says Mr Best: "If you're a serious buyer, you're going to an exhibition to see the product. You want to talk to someone who can tell you about it. It's a complete waste of time to be met by someone who knows only enough to ask your name so a rep can visit."

In his view, those companies making the best use of exhibitions are integrating them with their other marketing efforts, including direct mail, posters and press advertisements.

This point is echoed by Mr Robin Hope, services director of Earls Court Olympia. As he says in Earls Court's recently-published Exhibitor Survival Guide: "In order to provide continuity and support your brand, your exhibit needs to link with your promotional material and all other sales and marketing activities in terms of message, image and targeting."

Check, too, that full use is made of the sales and support services available, says Mr Hope. "Organisers will have developed a huge promotional platform surrounding the event. Make sure you exploit it to gain the maximum exposure before, during and after the event." Mr Ball adds: "Always ensure you talk to the organisers and get a good position. It's no good having the best stand in the world and hiding it in a poor position. These things are always negotiable."

As far as exhibits themselves are concerned, the main aim is to take advantage of the medium, says Mr Best. "Don't have a wonderful product and then just put prints round the walls. Have the product there and make sure anything new is fully explained."

Being at an exhibition is not enough in itself, stresses Mr Ball. "You have to have a presence which is dynamic, outward-facing and interactive with the public," he says. Stands should be "memorable and creative in concept;" the whole thing is brought to life by introducing colour, movement, entertainment and hospitality, so that visitors are compelled to stop, look and take part, he says. This may be done by staging events – a fashion show, dancers, famous personalities – relevant to the product.

Staff on the stand obviously have an important part to play and it is no use if only the managing director and marketing director understand why the company is exhibiting, says Mr Hope. "It's absolutely vital for those who are manning the stand to know exactly what you want them to do, what image you want them to convey – and, of course, how you expect them to deal with your customers or prospects," he says.

It is less common now to see staff sitting around looking bored, or chatting with friends from other stands, says Mr Ball. "Thank goodness, that is very much on the decline. Economics has forced companies to make full use of their presence at exhibitions. It's important for them to motivate staff so that they are well-presented and feel involved and well-briefed," he says.

Finally, there is the question of follow-up. Plan how to follow up the leads you get, advises Mr Hope. If you provide a free gift in exchange for business cards, decide what you will do with the names you collect. "For example, put them on a database and use them as a mailing list; send them a promotional pack, special offer or news of your sale; and get your sales force to give them a call," he says.

And do not give up too soon, says Mr Best. "Research shows that the life-cycle of inquiries following exhibitions can be very long." A buying decision may be made a year or more after a visitor has collected literature from rival stands at a show, so gentle follow-ups over that period can pay off, he concludes.

The site of the proposed Royal Docks exhibition centre at Royal Victoria Dock in London Docklands

■ The world's top venues: **London**

Hurdles that must still be overcome

London, as a centre for exhibitions and conferences, starts with some natural advantages over many other venues. The combination of historical and cultural attractions, the appeal of an English-speaking environment to English speakers in other parts of the world, and the opportunities for out-of-hours entertainment mean that the capital features on many organisers' shortlists.

Confidence about security, particularly among North Americans, has increased since the IRA ceasefire; even the cuisine and friendliness of the natives are highly ranked by visitors these days, according to recent surveys conducted by the tourist agencies.

However, several factors continue to hold London back, according to Ms Catriona Campbell, head of marketing and the convention bureau for the London Tourist Board. The first of these factors is that there is simply not enough conference space.

One of the most important large venues is the Queen Elizabeth II Conference Centre at Westminster. Its facilities include high security, video-conferencing, three main halls, four conference rooms and over 50 smaller meeting rooms. But the maximum number of people that the largest space in the building will accommodate is about 1,200.

The consensus, says Ms Campbell, is that London could do with "a world-class conference facility with seating capacity in the main hall for 2,500 people plus a separate hall for catering purposes, facilities for break-out sessions and an adequate space for exhibitions. The US has so many conference centres with accommodation attached. If we're ever going to tackle the American market and attract significant numbers, that's what we need to have as well."

The second difficulty London faces is that it must be unique among capitals in not having its own overall local government. Ms Campbell says: "A number of other cities, including some in the UK, give financial assistance to organisations to bring their conference business – they realise conferences boost the local economy. Because of the way that London is structured, we have to convince 33 local authorities, with very different perspectives on business tourism."

Whereas some cities bidding for conference and exhibition business are able to fly in organisers and entertain them while they inspect facilities, London has to scratch around for funds. "We don't have a pot of money to use to encourage people into London," she says. Overseas representation is mainly shared with the British Tourist Authority, but the BTA's focus of activity has to be the leisure, rather than the convention, market. London cannot even offer visitors a civic reception hosted by the capital's ceremonial figurehead, because there is no such person.

A number of initiatives are being developed to try to overcome some of these hurdles. The most important scheme to increase venue space in London is a vast new exhibition centre in Docklands. A study by Touche Ross for London Docklands Development Corporation found that demand existed for an exhibition centre with hall space of up to 60,000 sq metres and potential for further expansion. The north site of the Royal Victoria Dock was the only suitable site available in the capital, it concluded.

LDDC has now selected developers for the first £100m phase of the development which should be ready in 1998, following the completion of the Jubilee Tube line extension. It is intended that hotels and conference facilities will also follow. Separately, Earls Court Olympia, the P&O group company, is putting in a bid for the development of a site to the west of London as an international trade show centre.

On the promotional front, London's limited resources are to be boosted by recruiting voluntary "ambassadors" to spread the word. Business leaders, in particular those involved in London First, the private sector inward investment initiative, are to be provided with incentives and recognition for bringing in convention business to the capital.

Even though it will be some time before these initiatives take effect, Ms Campbell is confident that London can hold its own. A steady improvement in visitor figures mirrors the upturn in the economy. Estimates for 1993 indicate that more than 14m people attended exhibitions and conferences at the larger venues.

Notable events in the capital have included a five-day, 2,500-strong Holiday Inn convention at Wembley, and a new product launch for 5,000 Fiat dealers from all over the world at Earls Court.

An event that London's promoters point to with particular pride is the Arthur Andersen worldwide partners' conference, recently held for the first time outside the US. The seven-day marathon had 4,300 people staying in 17 hotels and attending 265 meetings across London.

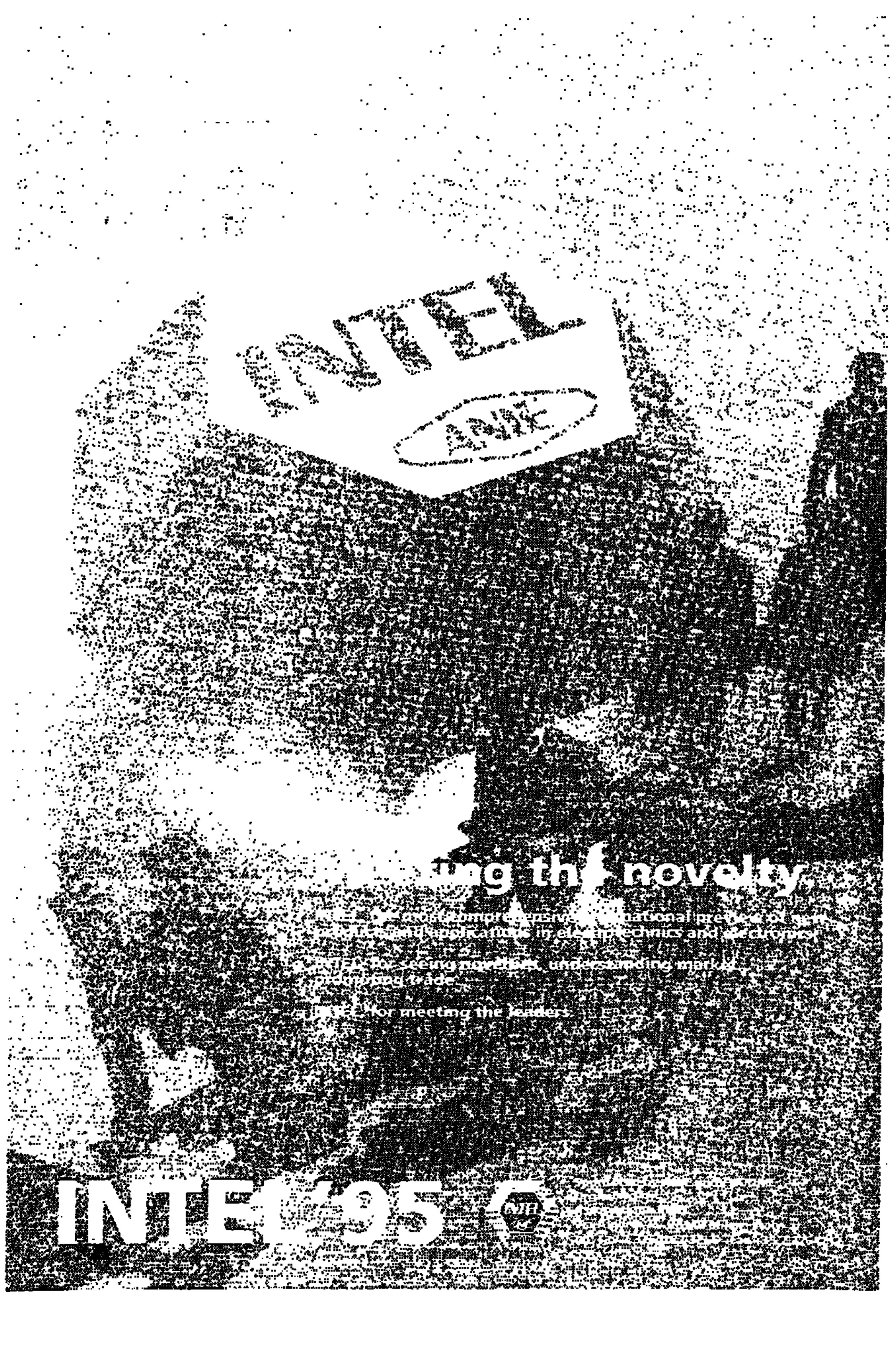
Ms Campbell concludes: "Though London may lack some of the attractions of other cities or the large convention centres to which international planners may be used, if it convinces them that it can deliver co-ordinated event organisation using the facilities it has, it has a tremendous amount to offer."

Diane Summers

Attendances at 1993 exhibitions

Alexandra Palace	330,000
Barbican Centre	1,900,000
Business Design Centre	412,053
Earls Court/Olympia	3,000,000
Fairfield Halls, Croydon	750,000
Queen Elizabeth II conference centre	250,000
Wembley Stadium complex	6,750,000
Westminster Exhibition Centre	135,000

Source: London Tourist Board and Convention Bureau



Unusual venues may prove memorable, but there can also be pitfalls

Strange places stay in the mind

Birmingham or Bermuda, Harrogate or Hong Kong – the external environments may be very different, but once inside the hotel or conference hall, it can sometimes be difficult to distinguish one venue from another.

For those event organisers anxious to provide a memorable alternative to standard accommodation, there is a greater choice than ever before of the type of venue likely to remain in guests' minds long after the business content of an occasion has faded.

Museums, in particular, are waking up to the potential for generating extra revenue from allowing their premises to be used after-hours by other organisations. Historic monuments, sports grounds, parks and even dungeons are following suit. Meanwhile, some conferences and exhibitions are abandoning *terra firma* altogether, and launching themselves onto cruise liners.

In London's Natural History Museum it is possible for 1,000 guests to meet in the vaulted hall and then dine in the company of a giant dinosaur, the 150m-year-old Diplodocus. At London Zoo, receptions may be held in the reptile and insect houses, or a barbecue can be arranged next to the lions' terrace. The zoo also has more conventional lecture theatres and function suites.

The London Tourist Board and Convention Bureau has a register of unusual places available for hire in the capital. These include: the Museum of Garden History in Lambeth; HMS Belfast, the last of the Royal Navy's big-gun ships which is permanently moored opposite the Tower of London; and the Barbican Centre. The latter has a conservatory filled with tropical plants which is available for receptions, as well as the more usual halls, cinemas and meeting rooms.

Ms Miranda Acheson-Gray, the board's UK sales executive, suggests combining two events for a particularly memorable evening – perhaps hiring a boat to go down the Thames to Greenwich before gathering at the Queen's House, next to the National Maritime Museum. Also at Greenwich is a unique venue for smaller gatherings: the world's only museum of fans, housed in early Georgian buildings, can accommodate a meeting of up to 80 people.

Product launches and client receptions may benefit particularly from an unusual venue, says Ms Acheson-Gray. "It's often the same people who get invited to several of these things. You've got to do something to make the event memorable. If you just plan to take them to another hotel, they may not even turn up."

But there are pitfalls in hiring non-standard premises, she says. Expenses can mount up: many museums do not have on-site caterers, so outside provision needs to be made, and there can also be extra costs for furniture and table linen. Caterers may charge extra at a museum venue if conditions are cramped in small kitchens with few facilities. Access is often not allowed until the museum has closed to the public for the day, giving little time for preparation. And do not forget that museums can be cold and acoustics can be poor, warns Ms Acheson-Gray.

Her overall recommendation is that "it is better to go for a less glamorous venue and spend more on the event itself, than to go for an expensive, unusual venue and not have any money left for decorating and catering".

Leaving land behind altogether, boats have long been used for incentive trips and entertainment. Now some exhibitions and conferences are also taking to the waves. Richmond Events, based in Surrey, specialises in ship-based venues and now organises nine regular events, including several information technology forums, the Marketing Forum, and Pims – the Personal Investment Marketing Show.

Liners used by Richmond currently include the Canberra and the QE2; P&O's newest cruise liner, Oriana, will be used later this year. The liners sail only far enough out to sea to stop anyone getting off – providing the ideal captive audience for exhibitors.

"Delegates" are invited by Richmond and do not pay for the event, while exhibitors would typically pay £11,500 for two people to attend. Over three nights and two days both sides meet up in individual sessions organised via a computerised appointment system – an exhibitor could hold up to 40 meetings with delegates over the period. In between appointments, there are conference and seminar sessions.

Diane Summers

The Canberra is one of the liners used by Richmond Events, which specialises in ship-based ventures

Paul Taylor looks at the inroads made by computer technology

From the theatrical to the dynamic

Computer technology is having a profound effect on the way conferences and exhibitions are prepared, organised and run. But communications experts stress that the most effective technology enhances content, rather than obscures it.

For this reason extravagant "glitzy" presentations featuring special effects, dry ice and dancing girls are out of fashion. Instead technology is being used to cut lead times and make productions more interesting, relevant and accessible.

"Business conferences are becoming much more informal and participative," says Ms Lois Jacobs, managing director of HP:ICM, the London-based communications group.

Conference organisers have recognised that audiences no longer want to be "talked at" by speakers hidden behind lecterns or reading from an autocue devices against a slide-show backdrop.

The emphasis today is on smaller and more intimate meetings, presentations illustrated with slick computer generated graphics and conferences punctuated by "break out" sessions or workshops to involve the audience.

For example, new car launches have typically involved large and lavish presentations in exotic locations. But for the launch of the Omega, General Motors, working with HP:ICM, chose to reach 28,000 dealership personnel in 20 countries with a series of smaller local events.

After an initial formal presentation by a senior local manager, delegates were divided into smaller groups of 20 to 30 people and assigned a "navigator" who steered them though eight small and highly inter-active workshops each built around a key feature of the new car.

According to Ms Jacobs, the creation of events for a panEuropean audience is another recent trend in the industry. "In fact, over 60 per cent of our business is for multi-cultural audiences," she says.

Audience response systems provide another means of involving an audience directly in an event. In Britain a four-year-old company called IML is a leader in the use of interactive computer technology and electronic audience response systems.

IML pioneered the use of handheld numeric keypads which enable an audience to key in a response to a question, register an opinion or exchange information – responses are captured by computer and can be displayed simultaneously. IML's PC software is used to plan, run and record responses during the presentation.

Mr Peter Knowles, IML's sales and marketing director, says: "A lot of conferences have moved away from the theatrical." Instead companies are looking for a more dynamic format. IML's handsets are the modern equivalent of putting a hand up, but with anonymity if required, he says.

"We do 20 to 40 meetings a month," says Mr Knowles. These range from 10-person board of directors undertaking a strategic exercise to 5,000 people attending a company conference in Paris. Significantly, he says that response rates using the handsets, "are almost 100 per cent". IML has recently introduced an infra-red portable version of its handset which includes a microphone. An LCD window allows information such as individual scores or marks to be returned to each handset.

Alternatively, using business TV, responses can be collected from remote sites, sent via a modem to the broadcast site where they can be collated and relayed immediately back to the audience creating an interactive communication loop between remote and broadcast sites.

Generic training videos and the latest CDi technology can also be converted into group interaction programmes using IML software. Crown Business Communications, another business conference agency specialising in the production of live events, conferences and roadshows, also uses interactive computer techniques.

Mr Nick Lamb, managing director, claims Crown led the way in multimedia presentations using laptop computers with its work for the Department of Trade and Industry's "Winning in the 90s" roadshow which Crown designed as a state-of-the-art interactive event.

The DTI roadshow is transported from one corporate car park to the next inside three articulated trailers which connect together to form a self-contained auditorium capable of seating 60 people at a time for the 2½-hour show.

Visitors are provided with a Compaq laptop computer into which they key in their name, company details and areas of interest. This information is captured and fed back to a facilitator who varies each laptop presentation – including the choice of film clips – depending on the interests and responses of the visitors themselves. Thus no two roadshows are the same.

At the roadshow, designed to help managers improve the competitiveness of their companies, visitors receive a printout of their own "checklist for success". After the show the computer technology provides a post-event record for the DTI and the show's sponsors to use for follow-up purposes.

However, Mr Lamb believes the DTI show, hailed as "the most innovative presentation ever put on the road", scratches only the surface of the IT potential. Crown believes that in future management conferences with perhaps 500 delegates will use the same technology, but that the presentation details will be tailored to each individual delegate.

Mr Lamb, like other conference experts, emphasises that "content is always more important than technology and devices," and he believes that the human element in presentation is crucial to their success.

Despite the limitations of older equipment such as autocue devices, lecterns and photographic slide projectors, most business communications experts acknowledge that they still have a role. "They are leftovers from the past but they won't disappear completely," says Mr Lamb.

However, digital technology has made significant inroads into the traditional conference presentation and exhibition market as well.

Many presentations these days are compiled on desktop or portable computers using software such as Microsoft's Powerpoint programme. This means sophisticated presentations – complete with graphs that grow and bar charts which fill – can be put together in days rather than weeks and can be easily changed.

Aside from speed of preparation, flexibility and cost savings the other key advantage of using this equipment is that it can be plugged directly into a video projector and used to run a presentation if required.

But for very high quality images slide most production companies use specialised computer graphics equipment such as Inscriber or CadSoft systems. These generate high quality slides to be shown on Barco projectors which can be hired from specialists such as MetroVideo in London.

These graphics systems produce near photographic quality results and have made the technical hitches of older presentations, such as slides jamming or going out of focus, a thing of the past.

■ AUDIO AND VIDEO CONFERENCING

The way to keep in touch

The use of new technologies such as video-telephony, telephone-conferencing, business television and satellite broadcasting is transforming the reach of the corporate conference or event.

Two-way video- and audio-conferencing links enable people to participate in an event even though they may be geographically far removed from the main site. Similarly, the imaginative use of business television and satellite systems can transform a local conference into a national, or even international, event.

For example, in October last year Whirlpool, the multinational white goods manufacturer, staged an extravaganza to help reinforce its global Quality programme.

The event, organised by HP:ICM, a London-based communications specialist, was made possible by satellite conferencing and business television and involved a worldwide live broadcast which reached 7,000 employees.

Four main fairs were held at Varese in Italy, Michigan in the US, Singapore and Brazil, each of which also acted as a broadcast site. The broadcasts were received at 28 sites around the globe, a technical feat which required the use of three satellites for the Europe-an-US link alone, and 28 satellite transponders to deal with conversion between the different television standards.

For the European event, HP:ICM used two articulated trucks to transport the equipment to Italy together with a TV crew, outside broadcast unit and set builders. It created an auditorium for 500 people in a basketball court and co-ordinated the transportation of Whirlpool Europe's headquarters staff to Varese.

The Quality Forum opened with a 60-minute award ceremony for European company winners. All four sites were allocated a live 22-minute broadcast consisting of live presentations, video segments and interactive transglobal live interviews.

Ms Lois Jacobs, managing director of HP:ICM, says video-conferencing is being used increasingly for one-off events or by companies such as TSB, which uses the medium to make regular broadcasts to 1,000 sites equipped with rooftop satellite dishes.

Video-conferencing is also being used to cut travelling expenses and reduce the time wasted getting to meetings. For example the UK-based applications business unit of Alcatel Business Systems, part of the French group, used video-conferencing equipment earlier this month to link its offices in Bracknell, Camberley and Glasgow in the UK via locations Velisy in France.

The group, which resells roll-about, desktop and video-phone systems manufactured by PictureTel of the US, was demonstrating the equipment to the 60 staff in the three offices.

Alcatel set aside a £2,000 budget to cover the cost of the three-way conference – substantially less than it would have cost to fly the 25 staff in the Glasgow office down for a conventional meeting in Surrey. "The overall impression was that it had been extremely successful," said Ms Julie Brightwell of Alcatel.

For those companies unsure about whether they can justify the investment in their own video-conferencing systems, there are alternatives. For example, most telecommunications companies hire out video-conferencing equipment and operate public video-conferencing centres which are available for hire.

BT operates two centres in the UK at the moment and Mr Darren Van Stone, marketing manager for BT teleconferencing services, says there are about 25 other independent centres in the UK and many more worldwide.

Typically, the hired equipment and public video-conferencing centres are used for high profile corporate events such as investor relations meetings and press conferences. Some centres such as the Queen Elizabeth II in Westminster also provide video-conferencing, editing and broadcasting facilities.

The facility at the QEII centre, called "II Media Productions," has been set up over the past 18 months. An event can be broadcast live to regional television stations using the centre's video-editing suite where the coverage can be mixed with titles, special effects and computer graphics before being relayed to the desired location.

Ms Gill Price, commercial director of the QEII Centre, says: "II Media is ideal for important announcements and international occasions where the organisers are sure of attracting a good deal of media attention."

The live broadcast can be relayed to videos in the event hall and to external locations via land lines, microwave, satellite links or ISDN video-conferencing. Recordings can be used for corporate videos, promotional material and internal communications such as business television, staff training, archive and reference material.

Video-conferencing is also being used increasingly as an integral part of a conference or meeting. "A lot more people are asking whether we can cater for video-conferencing," says Ms Price. "For example, where the president of a US company, who is unable to attend in person, wishes to give his sales staff in the UK a motivational pep talk, he now has the opportunity of doing this by video-conference."

Among those who have used the QEII's video-conferencing facilities recently are the King of Sweden for a discussion of Sweden's bid to hold the 1997 World Expo in Stockholm, Estee Lauder for a marketing conference linking London and New York and Mr Peter Drucker, the management expert, who addressed 600 delegates from his southern California base last June.

As an alternative to video-conferencing, both Mercury Communications and BT in the UK can set up low-cost audio conferences or conference calls. BT offers the service from its conference centre in London for customers who do not require video links. Conference calls can be set up quickly to numbers anywhere in the world and do not require any special equipment.

Audio-conferencing can be used as an alternative to making a series of calls to one person after another or to hold a discussion within an organisation. Most operators can also offer translation, recording and transcription.

If required, BT can feed from a conference public address system to a remote audience down telephone lines. In some markets, particularly the US, audio-conferencing is already well established and worth an estimated $600m a year to the telecoms companies. "Conference calling is one of the fastest expanding BT services," says Mr Van Stone. Over the past year service usage at BT has grown by 70 per cent.

Paul Taylor

Motoko Rich on a service that is becoming more and more necessary

When to call for an interpreter

In the flurry that precedes a conference, organisers are inundated with details: booking the venue, arranging the menus and cocktail parties, and ordering the decorations. It can be easy to forget that none of these details will mean much to delegates who do not understand the language of the conference speakers.

For any international conference, it is crucial to consider the need for interpreters, not only because it will help participants understand what is going on, but because it may attract more of them. "Interpreting is a selling point which a lot of conference organisers do not realise," says Ms Frances Calder, founding member of Conference Interpreters International, a group of freelancers.

As English has increasingly become the international language of business, conferences conducted in Britain and the US are monolingual more often than not. But while many delegates will have a basic understanding of English, they will only feel comfortable asking questions in their native languages.

"If everyone on stage is speaking English it is difficult for a French or Italian delegate to stand up and ask a question because it has not been established that you can use these languages," says Ms Brenda Rolfe, technical director of M & R Conference Communications, an equipment supplier for simultaneous interpretation. "If a conference is truly international, then some speakers will give their speeches in other languages."

Once an organiser decides to provide language services, the first decision is what kind of interpretation is appropriate. For most conferences, simultaneous interpretation, with speciality equipment, is the only practical method for large audiences.

For small seminars or dinner meetings, consecutive interpretation is possible. The interpreter takes notes during a speech, and gives the interpretation afterwards. When only one or at most two people need language services, then whispered interpretation is possible. Here the interpreter sits next to the delegate and whispers in the other language.

Conference organisers should avoid interpreters who offer ad hoc or liaison interpretation. These are considered more appropriate for low-level business or tourist circumstances, when rigorous interpreting is not required.

For simultaneous interpretation, a team of interpreters is needed, and for each language, it is necessary to have at least two interpreters so that they can take breaks during the conference.

Recruiting interpreters for the first time can be difficult because there are no international qualifications or standards. "If you went on a school trip to Paris at the age of 15 you can call yourself an interpreter," says Ms Calder.

She recommends that organisers look for a university degree in the languages specified as well as post-graduate training. "I tell people to look for interpreters who work on the European Community circuit," she says. "That guarantees a certain level of ability."

The other way to guarantee minimum standards is to hire interpreters who are members of the International Association of Conference Interpreters.). This professional body, which has about 2,500 members worldwide, is self-policing and is recognised by the United Nations, the European Community, the World Bank and the World Health Organisation.

Interpreters should work by translating the languages they have studied into their mother tongue. Ms Calder warns against hiring anyone who claims to interpret into several languages equally well. She cites an applicant to the European parliament who claimed on her CV that she could work "indifferently into three languages." Obviously not.

For the best interpreters, it is important to book up to a year in advance. One of the most convenient ways to put together a team of interpreters is to ask a consultant interpreter to recruit them. Such consultants usually charge between 8 and 10 per cent of the interpreter's fee. Most interpreters work on a freelance basis, and will expect to have direct contracts with the conference organisers. Fees range from £250 to £500 a day.

Technical equipment – which varies greatly in price depending on what is required – can be booked through a number of suppliers. Consultant interpreters can recommend the best ones. The equipment should be fully checked before it is used, and conference planners should demand that technicians be present throughout the event, listening to the sound systems at all times to make sure they are working.

Interpreters should be placed where they have a full view of the speakers, usually at the back of the room. It is important to allocate enough room for the booths, as each one will be approximately 160m square. "You will be surprised how much space the booths take up," says Ms Rolfe. "Make sure to consider your interpreting needs when booking a venue."

Well in advance of the event, interpreters should be given copies of speeches, transcripts of videos, lists of abbreviations and jargon likely to be used, and any other information about the conference subject and speakers.

"Interpreters are jacks of all trades and cover most subjects so it is absolutely essential that they have background information so they can check through their specialist dictionaries beforehand," says Ms Judy Knapp, director of Multilingual Services, an interpreting agency. "Only then can you get a Rolls-Royce service. People are notoriously bad at giving information and then complain when they do not get a perfect service."

International Association of Conference Interpreters: 10, avenue de Secheron, CH-1202 Geneva, Switzerland, 41-22-731-33-23.

■ CORPORATE ACTIVITIES

Human side of the bosses

Qualms among conference delegates on learning that a corporate activity provider will take over their lives for several hours are inevitable, writes Harriet Arnold.

But it seems that the providers and their clients agree that delegates at a residential conference gain more from, for example, making a short version of Crocodile Dundee than being told to emulate the film's hairy-chested hero.

Ms Lesley Claff, managing director at Meeting Point Conferences (Europe), says: "Clients increasingly want us to fit in an outdoor activity, as people want to do something active with a purpose." But while clients want participants to be competitive, they do not want them "to make idiots of themselves". Activities should be fun, motivating and educational, she says.

Mr Guy Baker, managing director of Catalyst Event Management, says clients are looking for ideas that are creatively challenging as well as appropriate to the venue. Physical feats are not ruled out. "Catalyst asks comprehensive questions about what the client wants, and what is appropriate for the participants."

For Goodyear, the US tyre maker, Catalyst organised an afternoon that tied in with the "Team Retail" slogan of the conference. In one exercise, a blindfold player reassembled cubes under the direction of 14 team members using duck whistles – they had to devise a new system of communication. "We are interested in challenges involving lateral thinking and discussion," says Mr Baker.

The afternoon ended with participants spelling out "Team Retail" with their bodies on the ground, which was filmed from the air. Participants took home photographs.

For two newly merged companies Catalyst devised a quiz where participants saw film of their new directors' homes and had to guess which belonged to whom. The aim was to show employees the human side of their bosses.

Both Ms Claff and Mr Baker note that clients want innovation combined with appropriateness both for their conference theme and for individual participants. "They are always looking for something new and different," says Ms Claff.

A sailing afternoon "brings people together in an unfamiliar environment, and forces them in their shared experience to work as a team", says Mr Guy Knight of Sunsail, a corporate sailing provider. They are not, however, press-ganged. They take part in races, where the challenge is not so much mastering nautical know-how but matching crew members to particular tasks or working out navigational tactics.

Mr Chris Hillman, partner in Corporate Adrenalin, says clients ask for activities that "put people in stimulating participative events, with the onus on them to achieve various tasks". It is also fun.

The clients emphasise motivational team work and developing employees' roles in achieving the company's targets. Participants leave "high, motivated and educated," he says.

Corporate Adrenalin's Starbased Labyrinth is a computer-controlled game requiring participants to negotiate a "labyrinth" presenting different kinds of challenge, such as action or puzzle challenges. A business element is customised to the client – for example, remedying a fault on a car for a team of technicians.

Clients do not always emphasise education and strategic planning. As Ms Hannah Stephens, marketing director at motor sports specialist Drive It All, points out, they may simply want to reward staff who have given up free time to attend a conference. After a morning's work, participants enjoy activities such as driving 38-tonne trucks, quad bikes, rally driving, a fire engine challenge and blindfold Land Rover driving. They are divided into teams, not just for any team building value, but because they enjoy competition as a way of testing new skills.

CONFERENCES & EXHIBITIONS

FEBRUARY 28 & MARCH 1
Introduction to Foreign Exchange and Money Markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL (PC Windows based dealing simulation). For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £520 + VAT.
Lywood David International Ltd.
Tel: 01959 565820 Fax: 01959 565821
LONDON

MARCH 1 - 2
SMI Private Finance Initiative (PFI) Series
Vital series of highly focused PFI events on Private Finance Risk Assessment, PFI in Information Technology, Local Authorities, Core Health Services, and Transport Infrastructure with speakers from HM Treasury, Government PFI Panel, major government departments, and all key public and private sector players.
Please call Rachel Dening on (0171) 417 7790 for detailed programmes.
LONDON

MARCH 1-3
Project Finance
The theory and practice of project finance, making extensive use of case studies. Cashflow, Debt Capacity, Sensitivity Analysis, Feasibility Studies, Present Value, Internal Rate of Return, Inflation, Interest, Exchange Rates, Risk Analysis, Evaluation, Containment. Types and Sources of Finance including Equity Investment. Loan/Project Documentation, Monitoring. £595. 3 days.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

MARCH 2
Managing New Product Development for Business Turnaround
One day conference exploring how design management is fundamental to the manufacturing process. Organised by the Design Museum and sponsored by the DTI.
Contact: Conference Secretariat: Northern Conference Bureau
Tel: 01625 502600 Fax: 01625 502900
Conference Centre MANCHESTER

MARCH 6-8, JUNE 6-8
An introduction to the Financial Sector
Targeted at personnel, including new entrants, who need to gain an understanding of how the financial sector, banks in particular, operate; the products and services offered, and how the sector is likely to change in the future.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel: 0121 742 9099 Fax: 0121 742 9964
LONDON

MARCH 7
Credit and the Bottom Line
The pressures of the recession have highlighted as never before the true value of effective credit management.
This is the theme of the Institute of Credit Management's National Conference and Exhibition at the London Hilton on Park Lane. The keynote speakers are Edwina Currie and John Monks. Non-members £175 plus VAT. Members £135 plus VAT.
Tel: 0780 721888 Fax: 0780 721333
LONDON

MARCH 8-9
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores relevance and practicality of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

MARCH 9
Currency Risk Management Workshop
Understand and identify exposures, and learn the techniques of currency risk management. Spot and Forward FX, Standard and 'Exotic' Currency Options, Zero Premium Strategies, Currency Swaps.
£275 1 DAY
Contact: Fairplace Tel: 0171329 0595
Fax: 0171 329 3853
LONDON

MARCH 9
Succession Planning in Private Companies using Employee Share Ownership Plans
Sell some or all of your shares and avoid capital gains tax using an Employee Share Ownership Plan (ESOP). ESOPs borrow money on behalf of the workforce and create an internal market in the shares. Employees can be given shares, paid for tax-efficiently by the company, or can be asked to contribute.
Phone ESOP Centre on 071-436 9936
LONDON

MARCH 9-10
Financing Cross-border Acquisitions
Faced with unsettled financial markets, fluctuating currencies and interest rates, acquirors need to be creative and well-informed when devising the financial structure for an acquisition. This workshop will guide you through the intricacies for this process and provide practical tips for success.
Contact: Acquisitions Monthly
Tel: 0171 823 8740
LONDON

MARCH 9, JUNE 5
Helping Your Bank to Help You
Suitable for executives and staff involved with and/or responsible for maintaining bank accounts &/or seeking debt financing, we will show you how to select a bank that best suits the needs of their firm, how to negotiate charges & services and how to make credit applications & develop sound banking relationships.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel: 0121 742 9099 Fax: 0121 742 9964
LONDON

MARCH 10
Risk Management Workshop
Types of Risk - Foreign Exchange, Lending, Financial, Counterparty, Country, Economic, Interest Rate, Industry, Management; Derivatives - FRA's, Swaps and Options; Evaluation techniques, Sensitivity, Benchmarking, Ratings, Provisioning; Monitoring and Managing Exposures, Portfolios, Regulatory Environment, the "Risk Cycle"
£275 1 DAY
Contact: Fairplace Tel: 0171329 0595
Fax: 0171 329 3853
LONDON

MARCH 13
Annual Company Report - Repeat of Sell Out Event
FRS; FRED 5; Off Balance Sheet Finance; SSAP 24 - Accounting for Pension Costs; Fair Values; Mergers, Acquisitions and Goodwill; Related Party Transactions; Big GAAP/Little GAAP; Urgent Issues Task Force Review Panel; Cadbury and ASB's Operating and Financial Review. CPE 16 points.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 13
The Foreign Exchange Market: Rates, Risks and Capital Concerns
The fourth annual Dow Jones Telerate foreign exchange conference is built around the theme of foreign exchange market risk and the capital required to protect market participants. Speakers will include Michael Foot, Bank of England and senior representatives from the European Commission, JP Morgan, Hong Kong Bank, Bankers Trust.
Contact: Arielle Savona, Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 353 2791
LONDON

MARCH 13 & 14
The Privatisation of Railtrack and British Rail
A two day conference. Speakers include Dr Brian Mawhinney MP; John Watts MP; John Edmonds, Chief Executive, Railtrack; Christopher Campbell, Vice-Chairman, British Railways Board and David Blake, Managing Director, Vendor Unit, British Railways Board.
Contact: City & Financial Conferences
Tel: 01276 856966 Fax: 01276 856566
LONDON

MARCH 13-14
Selling Financial Products
Planning and Development a Sales Initiative: Needs Analysis/Product Knowledge: Selling Skills - Presentations, Telephone Techniques, Body Language, "Buying Signals": Negotiating - Handling Objections and Sensitive Customers, Making Concessions, "Closing the Sale": Relationship Management - Listening Communicating, Dealing with Complaints and Competition, Maintaining Good Relationship. £395 2 DAYS
Contact: Fairplace Tel: 0171 329 0595
Fax: 0171 329 3853
LONDON

MARCH 14 & 15
Specialist Product Training - Introduction to Trade Finance
Introduction to Trade & Export Finance: Trade versus Financial Transactions; Risk Asset Weighting & Asset Quality; Risk Assessment Criteria; Shipping Terms; Letters of Credit: Commodity Prefinancing; Factoring - Main Features;Suppliers Credits; Forfaiting; Buyers Credits;State Supported Export Credits;Countertrade; Insurance
£495 + VAT 2 days. Contact: TFL/
Nicola Blackman Tel: 0171-606 0084/
600 2123 Fax: 0171-600 3751
LONDON

MARCH 14/15
Getting the Best from Banks
A practical bide to managing corporate banking relationships. Topics include how a bank thinks, behaves and operates in its relationship with your company. A highly participative 2 day course with much discussion and case studies and presented by experienced practitioners. Course repeated in June £520.00 plus VAT.
Contact: Lywood David International Ltd
Tel: 01959 565820 Fax: 01959 565821
LONDON

MARCH 15
The Emerging Role of the IS Function
Speaker Vaughan Merlyn, Ernst & Young Center for Business Innovation℠. Annual Conference and AGM of Society for Information Management, the independent global society promoting partnership between senior business and IT management.
Details tel: 01734 395205
LONDON

MARCH 15-16
Retail Week Conference & Exhibition
Covering all the major retail issues of the moment. With over fifty speakers, ranging from Archie Norman, Chief Executive at Asda, to key players from the likes of Boots, British Shoe, Selfridges, Levi's Tesco, Next and Blockbuster.
£675 (plus VAT) for retailers. £995 (plus VAT) for non-retail with reductions for group booking.
Call Sharon Mackenzie on 0181-688 7788 or fax: 0181-680 0306
LONDON

MARCH 15 & 16
Specialist Product Training for Middle/Back Office Functions Introduction to Capital Markets
THE DEBT (BOND)/EQUITY MARKETS: Product Definitions & Market Background; Transaction Processing; The Regulatory Environment; Settlements Clearance & Funding; The Clearing Systems: Mini Case Studies Included.
£395 + VAT 2 days Contact: TFL/Nicola Blackman Tel: 0171-606 0084/600 2123
Fax: 0171-600 3751
LONDON

MARCH 16
Company Secretaries and Lawyers Conference -
The Strategic Role and Responsibilities.
Judith Hanratty, Company Secretary at BP, heads an impressive list of speakers, including Nigel Macdonald, Cadbury Committee member. He will examine likely developments in corporate governance and will raise questions with the Cadbury Committee.
Brochures from David Kalwick
0171 731 8652
LONDON

MARCH 19 to 31
Retail and Wholesale Banking Seminar
2 week residential seminar for bankers from the international markets covering retail banking, payments, systems, credit assessment & trade finance - treasury, FX and MM, equities and derivative markets. Highly participative seminar, educational visits to financial institutions in both weeks. Seminar repeated in October. £3,750 + VAT fully inclusive all tuition, documentation and accommodation. (15% discount 2+).
Contact: Lywood David International Ltd
Fax: UK 44 (0) 1959 565821
CROYDON & LONDON

MARCH 20
What's New in Travel Legislation
- 3rd Annual One Day Conference. One Day Conference. Regulations and implications from Brussels; current developments in aviation, including CAA ATOL and TOMS; the Tour Operator and Travel Agent Relationship; Crisis Management and Handling the Media; latest in Quality issues, Enforcement and Risk. CPD 5 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 21
Data Protection - A User's Guide to the Law and Practice
Latest developments since Data Protection Act 1984. An explanation of present law: latest pronouncements from the Data Protection Registrar; EU developments. Parallel afternoon sessions for financial services/direct marketing, covering self-regulation, customer services and confidentiality, transfer of data and list broking plus case study on *Unique Identifiers*. CPD 5 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 22
101 Estate Planning Ideas and Traps for Individuals, Trusts and Family Companies
Specialist conference developed by Barristers, patrick Soares and Barry McCutcheon. Joining them are Tony Wickendon who is nationally known as a specialist on the uses of insurance in tax planning and Kevin Slevin who is equally well known for capital gains tax planning.
Contact: Vicki Goffin, IBC legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

MARCH 22 & JUNE 7, OCT 18
Presentations for Finance Professionals
Sharpen your presenting skills. Businessmen, designers, actors and stand-up comedians show you how to package your figures for the most difficult executives, when to use humour, charts ... how to give life to your presentations. Keynote speaker: Alan Dibbo, CIM, Royal Court Theatre.
Contact: Executive Presentations
Tel: 0171 251 5053 Fax: 0171 490 0566
LONDON

MARCH 22 - 23
Spoken Communications
Kingstree, the international leaders in spoken communications consultancy, offer seminars on effective business communications. Clients achieve two goals: conveying key messages and personality characteristics. Subjects covered: delivery from prepared text, use of notes, Q&A and reducing preparation time.
Contact: The Kingstree Group.
Tel: 0171 836 5575 Fax: 0171 240 0688.
LONDON

MARCH 23
Graphic Arts and the Environment
Jack Cunningham, MP, Shadow Trade and Industry Secretary keynotes at this conference for publishing, repro and printing industries. Topics include anti-pollution legislation, paper recycling and production, company environmental policy: BS7750 and environmental improvements for pre-press operations.
Contact: The Hammond Organisation Ltd.
Tel: 0181-943 9700 Fax: 0181-943 9997
LONDON

MARCH 23
Polymer Potential: Designing the Future with Plastics
One day series of workshops exploring new polymer technology and the versatility of plastic in design, building, construction and recycling, with leading experts and industrialists. Organised by the Design Museum and sponsored by the DTI.
Contact: Alison Ashford, Design Museum
Tel: 0171 403 6933 Fax: 0171 378 6540
LONDON

MARCH 23
Technology and Innovation: The Management Challenge
Throughout British industry and commerce, senior managers are faced with major decisions on technology affecting the competitiveness and shape of their organisations. This conference, in conjunction with Cranfield School of Management focuses on practical examples of ways in which industry can ensure that in future it is the master of technology rather than its slave.
Contact: Jo Mainee, The Strategic Planning Society Tel: 071 636 7737
LONDON

MARCH 23-24 1995
PlanEcon Business & Energy Conferences
Transition & Recovery in Eastern Europe and the Former Soviet Republics and East European & Former Soviet Energy Sector: Recovery in Sight? PlanEcon, DRI/McGraw-Hill conferences with Boris Fedorov, Petr Bod, and Terry Adams. Contact Corinne Redonnet on
Tel: + 44-81-545 6212.
LONDON

MARCH 28-29
Electronic Messaging
Electronic messaging is one of the most important requirements to survive in an increasingly dynamic market and to play a role in its future. Topics include: interconnecting existing messaging communities; workgroup computing: mobile and remote workers; electronic messaging and EDI; desktop applications; information security standards.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28-29
Furnaces 95
The event for the latest plant, equipment, materials, consumables, ancillary products and services associated with furnaces, refractories, heat treatment and fuel economy. For free exhibition admission tickets contact Gabriele Mendis, FMJ International Publications Ltd.
Tel: (01737) 768611 Ext 3375
Fax: (01737) 761685
STONELEIGH, COVENTRY

MARCH 28-29
The Role of IT in BPR: Enabler Versus Dictator
This seminar examines intersections and synergies between BPR and information technology, and investigates pros and cons of application-pull versus technology-push. It identifies the critical success factors in BPR; explains the practical steps to exploit the synergies; analyses the role of the IT community in BPR. Followed by a separate two-day workshop: "Aligning IT and BPR: building the enterprise model."
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 29
UK Coal - A Fresh Start
A one day seminar, discussing major changes in the post-privatisation UK coal industry, including the implications for private miners, the size of the market, transport and competition. To take part, contact: Carol Smith, McCloskey Coal Information Service, PO Box 15, Petersfield, Hants GU32 3RG
Tel: 01730 265095 Fax: 01730 260044
LONDON

MARCH 29-30
How to successfully plan and manage re-engineering projects:
The role of frameworks, information technology and software tools to support process redesign.
Presents a practical guide to managing the analysis, redesign, modelling & implementation phases of process re-engineering. Outlines how to develop new skills & capabilities, & how to apply the latest software tools & methodologies.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MARCH 30
Banks, The City and Politics
The banks and: the economy; industry; the press; the government. The Chartered Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddie George, Tom Farmer and Christopher Fildes.
Contact: Gillian Wright, CIB
Tel: 0227 762600 Fax: 0227 763788
LONDON

MARCH 30-31
MBOs: The Managers Guide
There are huge difficulties and immense personal strain involved in carrying through a successful management buyout. Acquisitions Monthly, in association with Wither Solicitors, has developed a practical training guide for managers - highlighting the key issues and explaining the practical and commercial aspects of the process.
Contact: Acquisitions Monthly
Tel: 0171 823 8740
LONDON

MARCH 30-31
Lateral Thinking and Serious Creativity for Management
Created by Edward de Bono
Presented by: Caspar de Bono, Chuck Dymer
Learn to:
- Break loose from established thinking patterns
- Generate fresh concepts
- Keep up with changes
- Be more creative at the strategic level

Contact. Juliet Muchenje, Monadnock
Tel: 081-871 2456 Fax: 081-871 3866
LONDON

APRIL 4 & 5
Cost Awareness
Practical case studies will show how to present and promote an awareness of essential cost drivers across your business, not only to top management - but also at an operational level.
For further details please call
Rachel Thomas on 0171 637 4383 or fax on 0171 631 3214
LONDON

APRIL 4 - 5
East European Logistics Briefing
Nowhere is the gap between strategic intentions and operational fulfilment so wide as in the Eastern and Central European economies. This briefing will look at practical issues such as opportunities for contracting out transport and warehousing, and customer service levels.
Contact: Pam Patient at Cranfield School of Management. Tel: +44 (0) 1234 751122
CRANFIELD

APRIL 5
The Taxation of Unit Trusts and OEICS
An important conference for the collective investment industry looking at the recent and proposed legislative changes. Special comment from the Inland Revenue on the taxation of OEIC's and from the Securities and Investment Board on the new regulations.
Contact: Kate Roberts, IBC Legal Studies and Services Limited. Tel: 0171 637 4348 Fax: 0171 631 3214.
LONDON

APRIL 5 - 6
Major Projects - Can we afford them?
If the public and private sectors are to collaborate to develop a better infrastructure for the UK there must be a willingness to invest in major projects. The conference will address this issue, the Private Finance Initiative and the question of perceived risk inhibiting investment.
Contact: Rachel Coninx, Institution of Civil Engineers, Conference Office
Tel: 0171 839 9805 Fax: 0171 233 1743
LONDON

APRIL 6
Challenging Offshore Structures CPD Accredited
The conference will cover information gathering, the extent of equitable tracing, testing offshore structures, international insolvency, international fraud investigations and Case Study: breaking an asset protection trust. These topics will be covered by a prestigious panel of speakers.
Contact International Professional Conferences Ltd on 0161 445 8623
LONDON

APRIL 6 & 7
Managing Relocation
The UK's top major annual relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: relocation policy review; tax, NI & reporting; international remuneration; group moves and operating in Eastern Europe.
Contact: Natalie Mounden CBI Employee Relocation Council. Tel: 071 379 7400 Fax: 071 836 1114.
NORTHAMPTON

APRIL 10-12
Auditing the Dealing room (Understanding the Treasury function)
Training designed specifically for internal auditors and bank inspectors charged with examining the on-going activities and control procedures in their Treasury dealing operation - traditional cash markets and derivative products. Course repeated in September. £690 + V.A.T.
Lywood David International Ltd.
Tel: 01959 565820
Fax: 01959 565821
LONDON

APRIL 24
Successful Recoveries in Insolvency
An intensive one day conference updating the following areas; rights of secured creditors; set off; fixed and floating charges; chasing assets in England and abroad; preferences and undervalues; sections 235 & 236; bankruptcy and winding up proceedings.
Contact: Sarah Avian, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

APRIL 24
The Venture Capital Revolution
Hear from leading experts, the significant developments in: re-investments relief; venture capital trusts; enterprise investment schemes, industry developments: management buy-outs: the future for the tax driven product and: keeping capital gains tax payments to a minimum.
Contact: Kate Roberts, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

APRIL 24
What's New in Insurance Law?
Update on the current legal issues affecting the Insurance industry, including misrepresentation and non-disclosure; bad faith - duty to defend; what does the policy really say?; coping with insolvency; Third Party (Rights Against Insurers) Act 1930; new factors affecting claims litigation; duties and responsibilities of agents; combatting fraudulent claims. CPD 6.5 hours.
Contact: Helen Houseman, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 24-26
6th International Delivery Systems Conference
Learn more about: Planning an overall delivery strategy. Specific channels of distribution. The role and future of the branch network. Merchandising the branch. Direct/Telephone Banking. The Information Superhighway. International speakers from Chemical Bank, Midland Bank, IBOS etc.
Contact: Sandra Martin, Lafferty Conferences
Tel: (+353-1)6718022 Fax: (+353-1)671594
LONDON

APRIL 24-27 & SEPTEMBER 11-14
Fundamentals of Fund Management (Residential)
Suitable for all those who require a thorough understanding of the overall investment management process - operations personnel, regulators, consultants, accountants, traders and bankers - wishing also to take advantage of the intensive learning environment provided by a country residential programme. Particular emphasis will be placed on constructing a portfolio and managing it.
£1,850 plus VAT Director: Dr Terry Watsham
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 25-26
Agent Software
The first commercial UK event to look at agent software technology. Agents can keep track of stock levels for inventory control, or share prices, to provide opportunity advice: seek out information for the user or sort incoming mail. This is becoming a potentially invaluable service given the increasing amount of information available with the growth of the Internet. Users, suppliers and developers explain their experiences and vision of how this technology will work for you.
Contact Unicom Seminars, 0895 256 484, fax 0895 813 095
LONDON

APRIL 25/26
Practical Dealing course - Foreign exchange
Training in Spot and Forward FX dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience. Course repeated in October. £520 + V.A.T.
Lywood David International Ltd
Tel: 01959 565820 Fax: 01959 565821
LONDON

APRIL 26
Institute of Directors 1995 Annual Convention
Theme: Winning in the Global Market. Speakers will include: Michael Heseltine; Sir Colin Marshall; Peter Sutherland. Chaired by: Lord Young.
Contact: Institute of Directors,
Tel: 0171 730 0022
LONDON

APRIL 26-27
Derivatives Risk Management
Executives in the financial industry involved in planning, organising and directing financial instruments in banking and treasury departments. Developing new financial products; Trading in derivatives; Controlling exposure and risk; Developing the technology to support derivatives. £790 plus VAT
Director - Prof Dimitris Chorafas
Contact: BPP Bank Training, Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 26-27
Re-engineering Customer Relationships:
How to redesign core processes and transform corporate culture to achieve service excellence. As products become easier to imitate and markets increasingly crowded, companies are realising that high levels of customer service and satisfaction are now key to achieving competitive advantage and sustaining profitability.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

APRIL 27
Regulation 1995 - Repeat of Sell Out Event
Getting to grips with the latest compliance issues affecting the day to day business of IMRO, LAUTRO and PIA members. SIB update; enforcement and discipline; pension transfers. Parallel sessions for IMRO or PIA/LAUTRO members - current issues, training and competence, handling the Regulator. CPD 5 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 27-28
Prepayment Cards '95
Second annual event examining the commercial opportunities in electronic purse and prepayment cards. Keynote address from Tony Surridge, Chairman of Mondex UK, as well as practical case studies including: London Transport, DANMØNT, Barclays Bank, Severn Trent Water, Greater Manchester Passenger Transport Executive.
Contact: AIC Conferences
Tel: 0171 827 5965
LONDON

APRIL 27 & 28
Differentiating Customer Proposition
Leading edge practitioners will be exploring how to develop internal capabilities and reposition your business to consistently exceed customer expectations. Assess how to create the Customer Driven Organisation.
For further details please call
Rachel Thomas on 0171 637 4383 or fax on 0171 631 3214
LONDON

APRIL 28
101 VAT Planning Ideas and Traps for Property Transactions after the Major 1994/95 Changes
Recent major changes in VAT legislation and practice now require a complete re-think on many areas of VAT as it relates to land transactions. This is an essential 'conversion' conference for all those who deal with VAT on land transactions.
Contact: Evie Kinane, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

MAY 2
Share Schemes, ESOPS and other incentives - Where are they now?
The conference will place special emphasis on the pros and cons of the various share scheme alternatives at present on offer. It will highlight the various specific technical developments of which delegates need to be aware - a must for anyone advising on implementing or operating employee incentive schemes.
Contact: Evie Kinane, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

MAY 2/3
Practical Dealing course - Money market
Training in traditional Cash markets and short term derivatives dealing - risk identification and evaluation, product pricing, position management - opportunities to test theories learnt in dealing simulation and practical exercises. For Corporate treasury personnel and bank dealers. Course repeated in July £520 + V.A.T.
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MAY 11
Mergers and Acquisitions -
Understanding the impact of the new ASB standards FRS 6 and 7 One day conference. Mergers, Acquisition or Group reconstruction; Fair Values in Acquisition Accounting; Valuing and Accounting for Goodwill, Brands and other Intangibles; Accounting for Pension Schemes; Requirements of the Stock Exchange and Takeover Panel; Due Diligence explained; Taxation aspects of mergers, acquisitions and group reconstructions for the non-tax specialist. CPD 7 hours; Law Society CPD 3 Hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MAY 12
Strategic Alliances - Penetrating New Markets
Alliances have become a key strategic option for growth and risk-sharing in emerging markets. But the stakes are high. You must be clear in your objectives and manage the deal with care. This conference is where you can begin to master the process.
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MAY 17 & 18
Effective Development of Cross Functional Management Teams
This conference will place great emphasis on proven tools and techniques it will provide the delegate with working advice on how to overcome Cross - Functional Management Teams.
For further details please call
Sarah Williams on 0171 637 4383 or fax on 0171 631 3214
BIRMINGHAM

MAY 18
Technology Transfer - *CPD Accredited*
The object of this one-day seminar is to provide a comprehensive and up-to-date practical review of developments in the law presented by practitioners specialising in the relevant fields.
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LONDON

MAY 22
Executive Reward Management
This conference will look at how to achieve the best value from executive remuneration spend. Specific topics include; reward strategy; cash-based pay; share-based pay; pensions: international remuneration strategy and; communications.
Contact: Sarah Avian, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

MAY 22 - 26
9th International cold Forging Congress
The premier international gathering of leading experts, industrialists and academics in the field of advanced precision forged, engineering component manufacture. Conference and study tours: 22-26 May. Exhibition: 22-24 May. Venue: St. John's Swallow Hotel, Solihull, West Midlands.
For further information contact: Lorraine Rogers, FMJ International Publications Ltd, Tel: +44 (0) 1737 768611. Fax: +44 (0) 1737 761685.
SOLIHULL

MAY 23
The Users Guide Through The Telecoms Tariff Maze
International conference focusing on how to save money and manage telecom costs in a multi-provider environment, organised by Tarifica with the TUA. Aimed at Users seeking to clarify and understand key issues they face, it also provides the opportunity to put questions directly to a panel of service providers. Speakers include telecom managers and specialist consultants. Contact Tarifica on +44 (0) 1 438 742 424 or fax +44 (0) 1 438 355 475
LONDON

MAY 24/25
Accessing Business Opportunities in Vietnam
Is Vietnam to be the next "Asian tiger"? Experts will examine its abundant resources, opportunities and problems. Chaired by Derek Tonkin, ex-British Ambassador to Vietnam; Keynote Speaker - Hoang Van Dung, Vietnam Chamber of Commerce; plus practical case studies. £895 + VAT. Call ICM on 01483 37107
LONDON

MAY 25
Property, Valuation and Accounting -
An Essential Update on the Latest Developments. One day conference.
The different values of a property; Valuing different types of property - theory into practice; current property accounting issues; sale and leaseback related issues; a lending banker's view; property companies - special issues; valuations post Mallinson. CPD 7 Hours.
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LONDON

MAY 25
Strategies for Successful Management
We live in a time of great organisational change. This conference, held in conjunction with the Institute of Management examines a vision of management into the millenium. Speakers, including Jonathon Porritt and Andrew Kakabadse will provide views on management skills over the next ten years emphasising the new skills needed by managers in the future.
Contact: Jo Mainee, The Strategic Planning Society Tel: 071 636 7737
LONDON

JUNE 20-21
Introduction to Derivatives in Treasury risk management
Training course covering treasury derivative markets, Currency Options, SAFEs, FRAs, Futures, Interest rate swaps and related products. For Corporate Treasurers, bank dealers and marketing executives, financial controllers, systems/ support personnel. Course repeated in September. £520 + V.A.T.
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JUNE 29
Professor George Yip - Total Global Strategy:
Managing for Worldwide Competitive Advantage. A unique opportunity to attend a conference presented by this acclaimed expert based on his definitive study of the challenges facing multi-national companies. Case studies from leading industrialists will add practical examples to Professor Yip's plans for successful strategies.
Contact: Jo Mainee, The Strategic Planning Society Tel: 071 636 7737
LONDON

JULY 3-7
Banking Strategy
Aimed at professionals and managers involved in strategic planning, general management or financial engineering in commercial, merchant or investment banks or the treasury operations of corporates and government organisations wishing to cover all aspects of strategic planning and control. £1500 plus VAT.
Director Prof Dimitris Chorafas
Contact: BPP Bank Training - Hilary Jackson
Tel 0171 628 8444 Fax 0171 628 7818
LONDON

EXHIBITION

MARCH 1 - 3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited. Tel:+44 (0) 1895 624794, Fax: +44 (0) 1895 624447.
EARLS COURT, LONDON

INTERNATIONAL

FEBRUARY 27
Lafferty's Cards & Payments Convention
"An Industry Revolution in the Making"
Three successive events: Int'l Bank Card; Smart Card and Electronic Payments Conferences. Programme to include, technology, marketing, third-party processing, POS updates and cross-border payments. Senior level speakers from leading financial institutions worldwide. DON'T DELAY! FOR FURTHER INFORMATION, PLEASE CONTACT: Elaine Fitzsimons, Lafferty Conferences, Dublin Tel (+353-1) 671 8022
Fax (+353-1) 671 3594
FRANKFURT

MARCH 9
Portfolio Investment in the Russian Federation
An International conference looking at the latest developments in the Emerging Capital Markets of the Russian Federation, covering equity and debt markets. Presentations by leading experts, brokers, investment bankers, fund managers, Russian corporates, and Russian policymakers on the economic reform programme.
Contact: Arielle Savona, Dow Jones Telerate
Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 353 2791
SWITZERLAND

MARCH 14 - 15
GULF 95 The way ahead for industry
Gulf 95 aims to explore the issues facing Middle East industry. Speakers will include Saudi Arabia's Industry Minister Abdel-Aziz al-Zamil, three other Gulf cabinet ministers, Percy Barnevik chief executive of ABB Asea Brown Boveri, Horst Teltschik board member of BMW, RJ Shahaney of Askok Leyland Madras, plus other key figures in industry.
Contact: MEED Conferences, London Tel: 0171 404 5513 Fax: 0171 430 0337
MANAMA, BAHRAIN

MARCH 20-23
European Banking & Financial Forum 95
3 days conference in which 2 Prime Ministers, 5 Ministers, 6 central bankers, Mr. Y.T. de Silguy, of EU, Mr. A. Lamfalussy of EMI, Mr. W. Roth, of EIB, Mr. R.D. Erb of IMF and more than 200 top bankers from 26 countries discuss issues of financial sector in C/E Europe and CIS and its integration into the Western one.
Contact: COMENIUS Tel: (+42 2) 5514 80-4 fax: (+42 2) 538852 or 533032
PRAGUE

MARCH 21 - 24
European Business Information Conference
The international forum for anyone researching information about business in Europe. Sources and techniques for finding, using and understanding information about companies, markets, products, regulations, standards etc. Papers, workshops, case-studies and product reviews. Excellent value.
Contact: Jenny Perry, TFPL Training
Tel: +44 171 251 5522 Fax: +44 171 251 8318
e-mail: 100067.1560@Compuserve.com
BUDAPEST

MARCH 21-23
European Monetary Union - Outlook for European Capital Markets
Special Guest Speaker: His Excellency, Mr Jacques Santer, President, European Union
This Conference addresses key issues related to developments of EMU including: different dimensions of stages II & III, the Convergence Criteria, and how the Single Currency might affect major financial markets. The conference has many distinguished speakers.
Contact Conference Department EEFC
Tel: London (+44) (071) 229-0402;
Fax: (+44) (071) 221-5118
LUXEMBOURG

MARCH 23
Eurobudget 95 Conference
Business opportunities for funding or work in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authorities/private sector consultants, suppliers, contractors. Includes 200 page EU Budget Guide.
Société Générale de Développement SA.
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MARCH 27-29
Sub-Saharan Oil & Minerals
The foremost conference on African oil and mining. Speakers include President Mandela and Cabinet Ministers from over 30 African countries. Co-hosted by the SA Chamber of Mines; Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environment.
Contact: 3 Hayne St, London EC1A 9HH
Tel: 44-71-600-6660 Fax: 44-71-600-4044
JOHANNESBURG

MARCH 29 & 30
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A Forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
WARSAW, POLAND

APRIL 24-25
Gas Utilisation Conference
The first international conference dealing with the future use of gas for industrialisation and power in Saudi Arabia. In association with the Royal Commission for Jubail and Yanbu.
For further details contact MEC
Tel. 0171 924 2980 Fax: 0171 924 2991
JUBAIL, SAUDI ARABIA

APRIL 24-28
Offshore Finance '95
For professionals and clients to review the best centres. Topics: creating offshore companies, trusts; tax treaties, offshore fund management; captive and re-insurance. Supported by the Government of Gibraltar and featuring senior figures from leading offshore centres. Details from
Dr Nigel Meir, MEC Conferences
Tel 0171 924 2980 Fax 924 2991
GIBRALTAR

MAY 2-5
The Asia Pacific Billing Systems Event
A CommEd Telecommunications Conference. Plenary session, workshops; seminars; exhibit area. 32 international expert speakers. Venue: Shangri-La Hotel
Tel: Hong Kong: +852 2409 0958
UK: 0171 274 8725
KOWLOON

MAY 4
Trusts - Conference One : International Issues and Problems.

MAY 5
Types and alternatives - Conference Two
These two one-day events will be covered by a prestigious panel of speakers
Contact International Professional Conferences Ltd on 0161 445 8623.
LUXEMBOURG

MAY 16
Euro SMEs 95
European Union finance for Small and Medium Sized Enterprises: including vocational training, employment, R & D, telecomms, IT, networking, subcontracting, regional development etc. Top speakers from EC and financial institutions.
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BRUSSELS

MAY 16-18
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Investment and financing in the Power industry. Trends and Policies, Combustion and Operating Power Plants 150 selected conference presentations. Over 230 exhibiting companies. Delegates and visitors from over 51 countries, especially from Central, Eastern and Western Europe.
Contact: PennWell
Tel: 31-30-650.963 Fax: 31-30-650.915
AMSTERDAM

MAY 22
Offshore Trusts & Trustees - *CPD Accredited. In association with STEP.*
The Channel Islands are stable, well known and mature offshore jurisdictions. But to stay ahead of the competition they must continuously re-evaluate their position and set new standards for others to follow. Advisers in the offshore trust world will find this invaluable.
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GUERNSEY

JULY 16-19
GATT/WTO - The Way Ahead
An international conference will be held at The Hilton Hotel, on the effect the GATT Agreement will have on world food industries, farmers and the environment. Keynote speakers will include: Lord Selborne, Brian Chamberlin (NZ), Simon Harris, Lorenz von Schintling Horney (Germany), Karl Erik Olsson (Sweden) and Sir Crispin Tickell.
Contact: Philip Eaton
Tel: 0171 287 9103 (Fax - 9101)
BERLIN

OCTOBER 10-12
World Aid/Euro Aid 95 Conference & Networking Exhibition
Business opportunities in worldwide aid programmes for EU consultants, contractors, suppliers, governments, financial institutions etc. Networking meeting place. Includes WORLD AID GUIDE.
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BRUSSELS

NOVEMBER 9-11
"The 1st International Hong Kong & China Golf Exhibition & Conference
will be instrumental in purveying the latest technology design expertise, construction techniques and environmental awareness to the fastest growing region in the golfing world" says Robin Nelson. The exhibition is supported by Nicklaus Design, Palmer Course Design, Pacific Golf, Nelson, Wright, Haworth, Robert Trent Jones Jnr and JMP Golf Design Group. Contact: Golf Media Group on Australia
(+61-9) 322-3222 Fax (+61-9) 321 6461
AUSTRALIA

هكذا من الاجل

ARTS

Television/Christopher Dunkley

Working class mores romanticised

One of the unforeseen effects of discriminating in favour of black and Hispanic employees in the US has been to create the suspicion that all blacks and Hispanics can achieve their positions only with the help of quota systems. Naturally enough the people most angry at this are those black and Hispanic people who were perfectly capable of achieving their positions on merit. In British television there is a danger of a similar problem arising when programmes are chosen not because of their originality, flair or excellence but because they fill some quota deemed by broadcasting bosses to be vital for social reasons.

If I was young I would resent the assumption which seems to lie behind "yoof" series, that everyone between 16 and 24 is unemployed, loves lager, alternative comedy and rock and roll, and endorses greenie politics. If I was black I would be outraged at the frequent assertion that I need to be targeted with specially made programmes, as though having a black skin made me incapable of appreciating Ibsen, Beethoven or Dennis Potter. Worst of all, however, is the patronising sentimentality which so many senior broadcasters bestow upon the working classes. Broadcasters would no more set out to bolster the idea of being proud to be upper-middle class than they would seek to exemplify the slogan "I'm white and I'm proud". But pride in being working class? Another matter altogether.

The result is doubt and suspicion that might otherwise never have existed. What is the idea behind BBC2's new Friday night series *The Mrs Merton Show?* Any channel controller faced with a proposal for yet another spoof chat show, this one chaired by a comedian got up to look like a middle-aged woman, is obviously going to ask "What will stop it seeming like a second rate Dame Edna?" One answer in this instance is that, instead of being a man in drag, the chair person really is a woman (Caroline Hook) and in television you do still win lots of Brownie points for simply being a woman. But since Mrs Merton cannot match Dame Edna for originality, eccentricity, or outrageousness – some would say genius – we are still left wondering about the point of the exercise. It is hard to avoid the feeling that the answer is "Mrs Merton is a working class northerner who fills the studio with her working class friends and they ask the guests the most frightfully dim working class questions".

Similar doubts are prompted by dramas which seem to be aiming at the apotheosis of the working class. Would any writer have managed to get 2½ hours of peak time on BBC2 with a two-part drama like *Blood And Peaches* if it had treated middle-class life in the same impressionistic and episodic way as Martin Sadofski's story of young adults in Bradford? There were enjoyable nuggets: the Beach Boys pastiche with ironing boards for surf boards; Rosemary Leach's Nan, a woman crossing from middle to old age who pursues men, talks to her dead husband and enjoys video games, but is beginning to find she is occasionally incontinent; the forklift truck race.

But there were infelicities too: the presence of the politically correct sermon for girls about the hopelessness and uselessness of men, and the absence of any such sermon for boys about women; Sue's anxious search for help with an abortion which ignores the fact that she is a nurse with a nurse's contacts; and the failure (shared, admittedly, with all filmed drama) to represent the way that people, even lovers, actually kiss one another – they do not open their mouths wide and then bite down violently. Much of the material here looked like apprentice work with early odd job experience injected straight into the scripts.

We may be told that Sadofski is an up and coming young(ish) writer, and that talent has to be nurtured somewhere, which is true. The same can scarcely be said of Jimmy McGovern who wrote *Hearts And Minds* for Channel 4, a four-part drama about life in a comprehensive school in Liverpool. McGovern's previous efforts include *Cracker* and you cannot get much more professional or high-profile than that. However, with the tyro English teacher, Drew, turning up to begin his first teaching job, the opening of the first episode of *Hearts And Minds* looked very like a lot of other school dramas in which a charismatic English teacher suddenly makes the whole point of education clear to the previously rebellious pupils.

Drew does it by eschewing his mentor's tedious lecture on the iambic pentameter, choosing instead to beat out the rhythm of Masefield's *Cargoes* on a desk lid. In a flash the pupils who were previously sleeping, fighting and chatting are all with him, rapping away like crazy, ripe for sprung rhythm, panting for the *Four Quartets*, and converted to a lifetime love of all things poetic ... or are they? I suspect that this drama may turn into a contradiction of the conventional starry-eyed view of inspirational teachers. But so strong is the television tradition of romanticising working class mores that it is hard to be sure without seeing more episodes. At the moment we are still in the position of believing that black people need quotas to succeed – that dramas set in this sort of milieu must be soft and sentimental on the working class.

The assumptions of those who run broadcasting, or at any rate the BBC, are clear from *People And Programmes* which is littered with loaded phrases such as "The young can find much of our output middle-aged". It could be said that the numerically more significant middle aged can find much of the output obsessed with yoof. Attitudes towards the working classes seem like a hangover from the 1960s – "Hallo trees! Hallo sky! Hallo dear little horny handed sons of toil!" – or even the 1860s: there is a deep sense of melancholy at the disappearance of the smokestack industries even though the living they provided often involved dreadful hardship. The combination of nostalgia, sentimentality and indulgence when middle-class media folk turn their attention to the working class is dated, unrealistic, patronising, and as counter-productive in the long term as the American quota system.

Theatre/Antony Thorncroft

Design for Living

Stephen Daldry has much to answer for. His vivid reinterpretation of that old carthorse, *An Inspector Calls*, ushered in a revival of director's theatre, where the text becomes the plaything of fevered imaginations. Sean Mathias has homed in on Noel Coward's *Design for Living*, a light, even risky, comedy in 1933 when it was a star vehicle for Coward and his acting chums the Lynns, and turned it into a seething cauldron of gay love.

Mathias has a small point. The Coward clique thought themselves detached from the heavy-handed morality of the age and what happened under their scarlet sheets and silk kimonos beggars the imagination. There might have been an air of mischief when Coward wrote a play about a couple of chaps who loved the same girl but were too damn chummy to come to blows over her.

Whether Coward would have approved of a production in which artist Otto and playwright Hugo (how the names evoke the period) bring down the curtain by wrestling each other to the floor while detaching under-garments is doubtful.

Design for Living dispenses with a plot. Otto loves Gilda (did the name exist outside inter-war fiction?); so does Leo. She loves both and, happily, Leo and Otto are soul mates so there is no real doubt about the final outcome; the stage trembles under the weight of troilism. Boring old stick Ernest loves them all, but only gets the chance to marry Gilda. Why, at the finale, does he seem to be the most sensible person around?

That is the weakness of Mathias's production, transferred from the Donmar Warehouse on a wave of critical acclaim. There is no tension between the mutually adoring trio. As gilded youths, they are the most ghastly characters imaginable. They think that talent and money enables them to get away with mocking both the workers, who slave for them, and the aristocracy, who indulge them, while they devote their lives to every pleasurable whim. Yet their camp repartee and sexual indulgence gives them the best lines and actions, and certainly the approval of Mathias.

It might work if it was done strictly *à la* Coward, who was as mannered a writer as Wilde. But Mathias keeps to the spirit of the age while going for ambivalent clothes and designs: there is no sense of any real world. Worst of all, he allows Leo (Marcus D'Amico) to step straight from the local polytechnic; I do not think you can mouth Coward's aphorisms in an Essex accent.

Rupert Graves as Otto gradually develops some style. He helps the production pick up steam from a terribly limp first act, set in Paris. By the second act we are in London, and the bright young things are returning each other's perfectly formed witticisms like Wimbledon finalists, while in the New York finale Mathias goes completely AWOL and throws in surrealism, amateur actors and a gay heaven, with even the waiter subject to the glad eye and Gilda coping with a lesbian grope.

Rachel Weisz, as Gilda, a survivor from the Donmar, does her best to hold the whole thing together. She uses her majestic height and a minimum of clothing to stamp a real, if overwhelming, personality on her posturing limp admirers.

Mathias also hits gold in Miss Hodge (Johanna Kirby), who should have been a cockney servant but is instead an aspiring yuppie. In such a theatrical production, with a cleverly themed set by Stephen Brimson Lewis, there are undoubted eye catching moments; but we are asked to enjoy a party which is best survived with our backs against the wall.

At the Gielgud Theatre, W1.

Marcus D'Amico, Rachel Weisz and Rupert Graves

Alastair Muir

Music in London/Richard Fairman

Dohnáyni's Brahms and Dawn Upshaw

The month of February used to mark the height of the music season on the South Bank, but not any more. This year sees what must be the smallest number of concerts at the Royal Festival Hall in any February for years – the inevitable result of orchestras with financial worries.

In theory, restricting the supply should increase demand for the concerts which are left, and there was a good house for the Philharmonia's evening of Brahms on Sunday. In the absence of a music director, Christoph von Dohnányi is the most prominent conductor on the Philharmonia's roster – although that might not be obvious to British concert-goers. His position as principal guest conductor is primarily visible in Paris with the orchestra in its residency at the Théâtre du Châtelet. Plans there include an ambitious array of opera productions, including Schoenberg's *Moses und Aron* and Wagner's *Tristan und Isolde*.

Dohnányi is respected as a disciplinarian and the Philharmonia rewarded him with better-than-average playing in this first concert of the Brahms symphonies. It is not often that so much detail is heard in these scores, primarily because the ensemble was so exact. Dohnányi arranges the orchestra with violins split on either side and double-basses unconventionally back left, which may have enhanced the clarity further, but unfortunately did little to soften the Philharmonia's habitual lack of warmth in this hall. Upper strings are hard and penetrating, which detracts from the precision of the playing.

To a conductor who values tough argument in Brahms over beautiful sounds, this is possibly not a major concern. Dohnányi is a classicist rather than a romantic, a Klemperer rather than a Karajan. When he has visited with his Cleveland Orchestra, his performances have often seemed didactic, but here there was more spontaneity. The opening movements of both the Fourth and the Second symphonies surged forwards with plenty of momentum; the scherzos were nimble and playful. In the finale of the Second, Dohnányi almost seemed to let himself go. The end of the concert was positively exciting, which is not a description one would normally associate with this conductor. Perhaps he and the orchestra are bringing out the best in each other.

To many music-lovers in the UK, Dawn Upshaw is best known as the disembodied soprano who sails over the orchestra in the hugely-popular recording of Górecki's Third Symphony. She does not visit this country often, so her recital on Friday at the Wigmore Hall was welcome.

In principle, it is a good thing to draw the audience into a recital by introducing the songs, but that depends on what the singer has to say. Dawn Upshaw's thoughts on her first half of Debussy went little beyond, "I like these songs and I hope you will too", a sentiment expressed with cloying winsomeness. The singing was inclined to be over-sweet too, although Debussy's early settings of songs like "Mandoline" and "Clair de lune", which he was later to re-write in simpler versions, are uncharacteristically elaborate. French sopranos tend to become acidic when the music skips up to top B's and C's, but Upshaw's soprano was always comfortable.

Robin Bowman, who took over at short notice from Charles Spencer as accompanist, is a specialist in the French repertoire and also acquitted himself honourably in the American songs that followed. Five of Copland's Emily Dickinson settings and three songs by Ruth Crawford Seeger might have had more variation of vocal colour, but their poetry was delivered with subtlety. Berg's Seven Early Songs, which would have been thought too big for this voice a few years ago, elicited warm, detailed singing, preferable to the heavyweight performances Wagnerian sopranos give them. It was an adventurous programme, which paid off.

Philharmonia concert sponsored by AT&T. The second Brahms symphony concert follows on February 27.

In the spirit of Auden

If you love the work of W.H. Auden and fancy a teasing look at his life, *Strictly Entre Nous* is for you. If, however, you are eager to learn more about Auden and hope for a play that, along with his wit, charisma and mischievousness, will give you a sense of the stature of his intellect and the brilliance of his poetry, *Strictly Entre Nous* will leave you feeling sold short.

Vince Foxall's playful two-hander (at BAC) focuses on the last hours of Auden's life, when the poet, having given his lecture to the Austrian Society of Literature, returned to the hotel room where he was to die that night. Rather than simply see his life flash before him, in Foxall's play the world-weary, ageing poet is visited by his passionate younger self, who teases and torments him and challenges him to examine his life.

The piece is cleverly structured with the two men constantly swapping roles to whisk you through Auden's life – conjuring up his precocious early self at school, his years at Oxford (told on arrival, "it's either homo and brains or hetero and brawn"), his time with Isherwood in Berlin, his relationship with Chester Kallman. Promiscuity, political engagement, Christianity – all are tossed in like plums into a pudding. The mood is deliberately light and the piece twinkles with *bons mots*, witty repartee and innuendo.

It is performed with great relish by Dudley Sutton and Rupert Holliday-Evans, both of whom strikingly resemble the man himself. While Holliday-Evans has a crisp, energetic presence as the younger Auden, Sutton is quite moving as the older poet, with his benign, creased face blinking mischievously. Bill Pryde's fluent direction moves the two of them round the stage as in a dance and, as they remonstrate with each other, the piece touches on interesting ground about the nature of self and the limitations of the choices we make.

But this, like everything in the play, is only touched on. It is an entertaining and refreshingly unearnest show, far preferable to a piece of dry literary analysis, and the mood does darken in the second half to suggest something of the loneliness of the old man. But it is also deeply frustrating. You get a sense of the complexity and wit of the man, but you only glimpse flashes of the scope of his mind and thoughts – there is plenty of dazzle, less depth. You can well credit this Auden with the witty ballads, but it is harder to discern the man who wrote "Musée des Beaux Arts". Perhaps this does not matter – after all, it is fun while it lasts – but you depart feeling you have been at a buffet where you could have had a feast.

Sarah Hemming

BAC, Battersea (071 223-2223).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with soprano Sylvia McNair. André Previn conducts Debussy, Roussel and Ravel; 8.15pm; Feb 22, 23, 24
GALLERIES
Rijksmuseum Tel: (020) 673 2121
● Art of Devotion 1300-1500: winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 26 (Not Sun)
● UKIYO-E: the finest Japanese prints; to May 28

■ BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 9171 236
● Under the Volcano Antique Masterpieces: second in the "Great Collections Series", this exhibition represents a modern "excavation" from among the 200,000 works of the Museo Archeologico Nazionale di Napoli that includes statues, frescoes and ceramics; to Jun 5 (Not Mon)
● Wunderkammer of the Occident: a journey through the history of European museums and collections, with more than 2,000 objects that have been collected by Europeans since the Renaissance; to Feb 26 (Not Mon)

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra and violinist Midori to play Stravinsky, Sibelius and "Tippett's Symphony No. 4"; 7.30pm; Feb 23
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra with mezzo-soprano Maria Popescu and tenor Laurence Dale to play Tippett's, "The Mask of Time"; 7.30pm; Feb 26
Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: with pianist Paul Crossley and the ladies of the CBSO Chorus. Sir Simon Rattle conducts Stravinsky, Messiaen and Bartók; 7.30pm; Feb 25
● Philharmonia Orchestra: Christoph von Dohnányi conducts Brahms' symphony No. 3 and No. 1; 7.30pm; Feb 27
● Pinchas Zukerman: Phillip Ledger conducts the violinist and the English Chamber Orchestra to play Bruch and Beethoven; 3.15pm; Feb 26
● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar; 7.30pm; Feb 23
● The London Philharmonic: Zubin Metha conducts Wagner and Webern; 7.30pm; Feb 26
GALLERIES
National Gallery Tel: (0171) 839 3321
● Spanish Still Life: from Velázquez to Goya.; from Feb 22 to May 21
Roy Miles Gallery Tel: (0171) 495 4747
● Anderson and Low: platinum-palladium prints of images based on classical themes, ranging from sculpture and Renaissance tableaux to geometrical studies; to Feb 28

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Feb 22, 24, 28
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30pm; Feb 23
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30pm; Feb 24
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Feb 25 (1pm)
● La Bohéme: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/Amanda Thane as Mimi and Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; Feb 23, 28
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30pm; Feb 22

THEATRE
Albery Tel: (0171) 876 1115
● Cell Mates: written and directed by Simon Gray and starring Rik Mayall and Stephen Fry; 8pm; (Not Sun)
Greenwich Tel: (0181) 858 7755
● The Duchess of Malfi: by John Webster, directed by Phillip Franks. With Juliet Stevenson and Simon Russell Beale; 7.45pm; (Not Sun)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15pm; Feb 28
Shaftesbury Theatre Tel: (0171) 379 5399
● The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. The Theatre de Complicite presents this violent love story; 7.30pm; to Feb 25 (Not Sun)

■ NEW YORK

GALLERIES
Guggenheim Tel: (212) 423 3652
● Ross Bleckner: mid-career retrospective of the American artist consisting of approximately 75 paintings and works on paper; to May 14
Metropolitan
● Early Renaissance Florence: 100 panel paintings and manuscript illuminations by masters of the Gothic style; to Feb 26 (Not Mon)
● Thomas Eakins: exhibition honouring the 150th anniversary of the birth of the artist. This installation of about 30 works from the museum's holdings explores the museum's continuing interest in Eakins; to Feb 26

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Feb 24
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Feb 22, 25 (1.30pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8pm; Feb 25, 28
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8pm; Feb 23, 27

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Orchestre du Centre National des Arts du Canada: Trevor Pinnock conducts Schubert, Haydn, Bouchard and Mendelssohn; 8.30pm; Feb 27

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Feb 23, 25, 28

■ ROME

OPERA/BALLET
Teatro Dell' Opera Tel: (06) 481601
● Cosi Fan Tutte: by Mozart. The Royal Opera House, London staging directed by Jonathan Miller comes to Rome with conductor Evelino Pidò; 8.30pm; Feb 24 (6pm), 26 (4.30), 28

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● Oslo Philharmonic: Mariss Jansons conducts Strauss, Stravinsky and Ravel's "La Valse"; 7.30pm; Feb 25, 26

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● James Galway: flutist with harpsichordist Phillip Moll plays Bach and Handel; 5pm; Feb 25
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Manon: by Massenet/MacMillan. An American Ballet Theatre production; 8pm; Feb 28
THEATRE
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise; 8pm; to Feb 26 (Not Mon)

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Financial Times Business Tonight

Edward Mortimer

The final frontier

UK xenophobes have little to fear about EU laxity on immigration

Most of last week's excitement about the resignation of a British junior minister derived simply from the fact that this was yet another sign of division within the government about Europe. But Mr Charles Wardle added a frisson by connecting Europe with the issue of immigration, thus allowing English xenophobia to blast off with both barrels.

Your typical English xenophobe sees his way of life threatened from two directions. Not only will he be shackled by absurd regulations drawn up in Brussels but also reduced to a minority in his own neighbourhood by people of a different race and culture.

Normally these dangers are distinct. The "immigrant" communities who are the object of prejudice within the UK do not come mainly from other parts of the EU. But Mr Wardle raised the spectre that the dreaded Brussels bureaucrats might force Britain to dismantle its border controls, allowing in hordes of illegal immigrants from what are known in EU jargon as "third countries".

Mr Wardle thinks a declaration appended to the Single European Act at the then Mrs Margaret Thatcher's insistence provides insufficient legal protection for UK border controls. He wants Britain to insist on writing a watertight safeguard into the Maastricht treaty when it comes up for revision next year. His argument with his former ministerial colleagues is essentially about tactics. They take a more political, less legalistic, view of how the EU works. They are right.

In EU meetings it is better not to be *demandeur*. To change something as sacred as the wording of a treaty, you need 14 other governments' agreement and, if you get it, you are likely to pay a high price. If other people want a change you do not like, you are in a strong position. It would take a determined alliance of the Commission and EU governments to browbeat Britain into lifting border controls and there is no sign it is a high priority for them.

For the moment, seven EU members are planning to lift border controls among themselves from March, under a treaty outside the EU structure. This should be a formality, since you can drive back and forth between these countries without slowing down as you cross the border. But they are years behind schedule, because it has been so difficult to achieve sufficient confidence in each other's policing arrangements to rule out border controls altogether.

The fact is that most other EU states are at least as tough as the UK about keeping out unwanted "third country" nationals. The thrust of EU co-operation on immigration issues has not been about removing internal borders but about tightening external ones. This has included an attempt to forge a common front against people claiming to be political refugees.

The EU can hardly be accused of being soft on 'third country nationals'

In Dublin in 1990 EU members signed a convention under which asylum applications should normally be dealt with in the first EU state in which an applicant arrives. Even if you have family in Britain, the fact that you spent a few hours in Paris or Brussels airport en route to London entitles the UK to return you to France or Belgium without examining the substance of your case.

In London in 1992 EU interior ministers agreed to extend this principle to states outside the EU, known as "safe" or "host" third countries. This means you can be sent back to any supposedly safe country outside the EU through which you have passed on the way from the one you claim to be fleeing – again without the substance of your case being examined.

Today in Brussels the European Council on Refugees and Exiles will publish its findings* about how this works in practice. The cases make harrowing reading. A family of Iraqi Kurds asked for asylum in Slovenia, which they reached via Jordan and Italy. Slovenia returned them to Italy and Italy promptly returned them to Jordan. Next day the UNHCR representative in Jordan was told at Amman airport the family "had decided to go back to Iraq".

Another Iraqi was sent back from Denmark to Italy, accompanied by Danish police, then from Italy to Tunisia where he was imprisoned and interrogated, allegedly beaten and burnt with cigarette ends, threatened with being turned over to the Iraqi embassy – but eventually sent back to Denmark where he now has refugee status. If his application had been substantively examined in Denmark in the first place, not only would he have been spared a very unpleasant experience but the Danish and Italian taxpayers could have saved a lot of money.

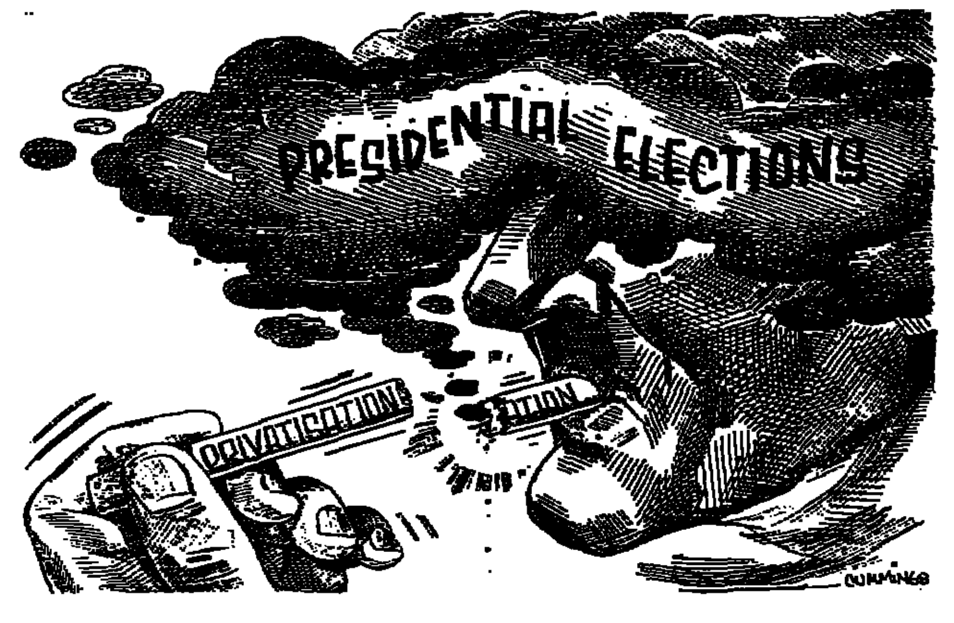
The report shows the "safe third country" system is not only inhumane but defeats its own objectives. It has actually increased the incidence of "refugees in orbit", being shuttled between different EU countries; and it involves costly procedures, examinations, accommodations, detentions and air fares before an asylum seeker's claim is examined on its merits. Where refugees are genuine, it subjects them to unjustified harassment, and risks their eventual return to the country from which they fled, while ignoring their own wishes and connections in other countries. Where they are found not to be genuine, it delays that finding and involves European taxpayers in extra expense. Also, by making it more dangerous to apply for asylum, it encourages people to come in clandestinely, with a resulting increase in "illegal trafficking of persons".

There are many things about the EU which Mr Wardle could fairly criticise. Being soft on "third country nationals" is hardly one of them.

* *"Safe Third Country", available from ECRE, 3 Bondway, London SW8 1SJ. (Fax: 44 171 820 97 25.)*

John Ridding says presidential elections will only briefly divert attention from French privatisation

Pause for breath after tobacco sale



Having disposed of Seita, the French state tobacco monopoly, to the private sector, Mr Edmond Alphandéry has decided to take a breather. "There will be a pause in privatisation issues until after the presidential elections," said the economy minister last week, citing the distraction of the spring poll and the need to prepare the next batch of sell-off candidates.

The passage of the Gauloises and Gitanes cigarette brands into private hands may also tempt Mr Alphandéry to puff a celebratory cigar. France's privatisation programme, in which 21 public sector companies have been sold or slated for sale, has emerged as one of the most successful policies of the centre-right government of Mr Edouard Balladur, the prime minister.

Taking into account the FFr5.5bn ($1.03bn) or so reaped from the sale of Seita, the government has garnered total privatisation receipts of almost FFr110bn since it launched its public sector sell-off in 1993. The programme has provided a central plank in Mr Balladur's fiscal strategy, enabling the budget deficit to be narrowed to FFr300bn last year. Popular capitalism, employee share ownership and the Paris financial markets have all been boosted.

The question now is whether momentum can be maintained. The presidential campaign has brought the policy of privatisation under fire, while the weakness of the stock market and the fact that many of the best public assets have already been sold suggest the going could get tougher. With a further FFr50bn from privatisation receipts budgeted this year, the smooth resumption of asset sales will help determine whether France can continue to curb its budget deficits.

On the political front, the clearest attack has come from Mr Lionel Jospin, the Socialist contender for the presidency. He said last week he would halt the programme of privatisation should he succeed in fighting his way to the Elysée. Indicating a return to the "Ni Ni" [neither, nor] policies of the previous Socialist administration of 1988-93, he said he would not allow further sales of public sector businesses, although those already sold would not be renationalised.

To most observers, Mr Jospin's assault represents a limited threat. Although the Socialist candidate has gained ground on Mr Balladur in the presidential race, the prime minister retains the edge in opinion polls for May's decisive second round of voting. More importantly, opposition to privatisation has failed to strike a chord among the population.

The explanation lies partly in the appeal to individual investors and employees. More than one million individuals stumped up for shares in Seita, as did about 75 per cent of its employees. Most of the other issues, from Elf Aquitaine, the oil group, to Rhône Poulenc, the chemicals and pharmaceuticals concern, have each drawn more than 2m investors. "There is a strong vested interest in the privatisation programme," says one Paris stockbroker.

At the same time, the government has avoided some of the pitfalls of the previous privatisation programme, between 1986 and 1988. At that time, Mr Balladur, then finance minister, was criticised for organising networks of allies to form core shareholder groups in privatised companies. This time, the issue has been defused by creating a privatisation commission, an independent body advising the government on the conduct of asset sales. "The operations have been managed professionally," says Mr Michel Fleuriet, president of Merrill Lynch Finance in Paris. "They have learned a lot from 1986-88."

The smooth progress of privatisation has enabled the government to reap political, as well as financial, capital. Taking a swipe at Mr Lionel Jospin, Mr Alphandéry said that the Seita sale demonstrated the strength of popular support for the programme. "Mr Jospin is living in the past," said Mr Alphandéry. "He has not understood the movie."

Whether the movie has a happy ending will depend not only on a conservative victory. A government reshuffle after presidential elections could take Mr Alphandéry from the director's chair. Whoever is in charge is likely to face the challenge of a weak stock market and a smaller cast of star companies to offer to investors.

"It is likely that it will become more difficult. They are coming to more cyclical or loss-making companies," says Mr Fleuriet of Merrill Lynch. Like many other investment bankers, he believes the French stock market will remain feeble this year, weighed down by the high level of real interest rates and inflationary jitters in international markets.

Mr Alphandéry remains sanguine. "Our experience so far shows we can implement privatisations whether market conditions are good or bad," says the economy minister. He points to the flotation of Renault and the privatisation of Union des Assurances de Paris, France's largest insurer, both of which took place against deteriorating market conditions.

Officials also point to the sale of Seita as proof of continued investor interest. Individual investors applied for almost four times the number of shares they were allocated, a rate exceeded only by the first two privatisations, Rhône Poulenc and Banque Nationale de Paris.

As for the next candidates for the auction block, Mr Alphandéry says there are several irons in the fire. Assurances Générales de France, the insurance group, is ready for sale and awaiting a more favourable market. According to the economy minister, the hiatus in issues will also enable the government to proceed with preparations to sell Usinor Sacilor, the steel manufacturer. The groundwork for the flotation of a stake in Caisse Nationale de Prevoyance, the insurer, is also nearing completion.

Officials reject the idea that they are now entering the lame duck phase of the programme, a description prompted by the descent of the sell-off list towards such loss-makers as Crédit Lyonnais, the ailing bank, and Air France. One aide to Mr Alphandéry claims that the quality of corporate assets is adequate to maintain the momentum of privatisations and that restructuring measures at problem companies will guarantee a further flow of candidates for sell off. "Renault was described as a lame duck 10 years ago," he says. "When we floated it last year it was one of the most profitable international motor groups."

Such an argument is supported by the turnaround at Usinor Sacilor and Groupe Bull, the computer manufacturer. Productivity and cost-cutting measures were an important factor in the steelmaker's return to the black last year after a net loss of FFr5.7bn in 1993. Similarly radical cost-cutting measures at Groupe Bull allowed it to announce last week a return to profit at the operating level. Its privatisation, through the sale of stakes to industry partners, will not be affected by Mr Alphandéry's pause.

In restoring the fortunes of the weaker members of the public sector, the chairmen of the companies concerned and the government may find themselves in a stronger position after the presidential polls. One industry analyst at a French merchant bank argues that tough restructuring measures at some companies, such as Air France, have been prevented by political sensitivities. Other companies on the list of 21, such as Aérospatiale, have been barred from privatisation because of President Mitterrand's opposition to the sale of companies from the defence sector.

The implication is that a conservative presidential victory could reduce obstacles to more radical restructuring measures and remove the sensitivities caused by the government's cohabitation with a Socialist president. As a result, Mr Alphandéry's suspension of asset sales is more likely to represent a pause for breath than a shortage of puff.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

No need to pick on UK passport controls

From Mr Mark Page.

Sir, Those arguing against the maintenance of border passport controls in mainland Britain should also consider the internal controls imposed by many EU countries.

The widespread requirement to carry official ID at all times means that British citizens would still need a passport when travelling within EU borders according to the Schengen agreement. Admittedly, they would be spared the effort of lifting it out of their pocket or handbag at an immigration control point. Their continental counterparts travelling to the UK would similarly gain little in practical terms.

Far more of an obstacle to truly free movement within the EU are the residence permit requirements for all foreigners, including EU citizens, in much of mainland Europe. Despite legal status as EU citizens, expatriates such as I must take time off work every few years to request a piece of stamped cardboard authorising continued immigrant status, in a process apparently designed to be as unpleasant and time-consuming as possible for all immigrants.

The only special requirement imposed by the UK, however, is an extra question on the Electoral Registration Form.

Those keen to remove wasteful and unnecessary obstacles to the single market would do far better to concentrate on such rules. Picking out the UK's position on passport controls smacks of hypocrisy and cheap point-scoring.

Mark Page,
Ritterstrasse 11,
Dusseldorf 40213, Germany

Paranoia not just confined to the British

From Mr Anthony Mayer.

Sir, As a dual French-American national, guilty of being an anglophile, let me express some disappointment at James Morgan's article, "Just because we're paranoid" (February 11/12). The English delight in national self-deprecation gains when balanced with more objective cultural insights about others, assuming that Anglo-Saxon observers can set aside their idealised romance with France. For sure, seldom do we find a French journalist straying far from the Gallic taboo of talking down his country in front of foreigners, let alone in a newspaper with broad international readership.

Right or wrong, it's France first when confronted with the outside. A rather chauvinistic French media and narcissistic Parisian culture present less of the international media orientation that can be found in a segment of the UK press or broadcasting. But to say the French reserve their "paranoia" for "trivial" matters such as trade or television, while being generous on matters of civilisation, ignores a deeply ingrained French protectionism, and tradition of cultural nationalism and centralism.

The proud slogan, *Vive la différence*, made official doctrine by General de Gaulle or the Jacobist, Mr Chauvin, is marketed with mercantilist flair when it comes to the country's image abroad. Moreover, what easily passes as xenophobic or insular on these shores will often be seen as healthy *national identification* or patriotism in France, a country less prone to political puritanism.

As for the caricatured Eurosceptics, suffice to say that France or Germany would probably be far more hostile to Europe if they were in Britain's shoes. The UK pays the second highest net contribution to the EU's budget (although its income per capita is clearly below France's) yet has a marginal influence compared with the politically dominant France or economically dominant Germany.

Confident self-flagellation may denote a national identity taken for granted. However, the idea of rocking the EU status quo when it overlooks Britain's legitimate interests does not necessarily equate to this alleged "little Englander's" sin. In short, what Morgan perhaps failed to see lying west of the Channel tunnel was the anglophobic.

Anthony Mayer,
308 West 103rd Street, Apt#10B,
New York, NY 10025, US

Industrialist's view of basic economics is flawed

From Mr Austin Mitchell MP.

Sir, The finance director of the Bredon Group (Letters, February 9) should review his own "basic economics". The rate of exchange, like the rate of interest, is a market clearing mechanism and economically defensible only if it enables the nation to balance its overseas accounts in conditions of full employment at a high and sustainable rate of growth. That requirement cannot be met by a fixed exchange rate. In an ever-changing economic world, the equilibrium rate must itself change.

A fixed exchange ties a nation to the deflation/inflation from which its neighbours suffer, and the law of comparative costs in international trade tells us that every country, however backward, can make full use of all its resources provided, and only provided, its exchange rate is correctly positioned.

Britain has fallen from third to sixth place among industrial nations since 1973 because it has combined the loss of tariff protection against the EEC Six with an increase of no less than 35 per cent in the real exchange rate. Manufacturing output in the previous 21 years rose 115 per cent. In the 21 years since, it has increased by less than 5 per cent. Imports have nearly quadrupled, taking nearly half our market. Hence the loss of 3.5m jobs in manufacturing.

This is because the monetary and exchange rate policies pursued by the Bank of England since 1976 have deliberately put the interests of the manipulators of wealth before those of its creators. With the blessing of the chancellor the Bank has now raised interest rates and the exchange rate to make our goods even less competitive on price than they were in 1990-92.

The real rate against the Ecu is even approaching the dark days of 1980-81. Which is why this "recovery" will peter out because the rate of return in the import and export-competing industries is far less than in industry generally and far less than is required to invest in increased capacity.

Austin Mitchell,
House of Commons,
Westminster,
London SW1A 0AA, UK

S Koreans benefit from low pay in Europe

From Mr Chris Pond.

Sir, Dr Michael C. McDermott (Letters, February 17) suggests that those South Korean companies that have been establishing plants in the European Union have been doing so in order to further their objective of global expansion, and are neither "brave" nor "foolish", as your earlier article, "Big gamble on a European thrust" (February 10), suggested.

An article in the French newspaper Le Monde at the beginning of February, which was based on interviews with Taiwanese and South Korean industrialists, suggests a further explanation for this inward investment into the EU.

It said: "Asiatic firms are arriving in Europe to enter new markets and to profit from low wages, as in the north of England and Northern Ireland, but also in the Republic of Ireland, Spain and Portugal. So Korean industrialists rejoice in the weakness of social constraints since the Thatcher era and in the refusal of London to sign the European social chapter."

Perhaps now we will hear the end of ministerial assertions that the UK must reduce its labour costs to compete with the "new tigers" of the Pacific Rim.

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FINANCIAL TIMES

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Wednesday February 22 1995

Choosing a head for WTO

The stalemate over the appointment of the successor to Mr Peter Sutherland as director general of the World Trade Organisation, successor to the Gatt, has become more than embarrassing. It is damaging the credibility of this long desired new presence in global trade. It reveals a lack of urgency about setting the WTO on a sound footing. It also reflects inadequacies in the process of selecting heads of international organisations, previously demonstrated in the search for a new secretary-general of the OECD. There must be a better way. In the case of the WTO, it needs to be found soon.

The race to win the leadership of the WTO has been under way at least since last June. Unfortunately, none of the three announced candidates – Renato Ruggiero, former Italian trade minister and the European Union's candidate, Carlos Salinas, former president of Mexico, and Kim Chul-su of South Korea – is in sight of the winning tape.

Some Europeans do not see things this way, arguing that their candidate has more votes among the contracting parties than the others. Yet this cannot be the decisive criterion in an organisation that has always operated by consensus and in which some members are in practice far more equal than others. What matters is a country's role in world trade. The 50 African countries export substantially less than Belgium. The 31 countries of Latin America and the Caribbean export substantially less than Italy. These small powers cannot determine the choices of the US or EU.

Lame duck

Unfortunately, the all too public nature of the struggle has turned it into a question of political prestige. It has become easier to stand firm than to concede. But the issue is urgent. At present the WTO is headed by a man who, however capable, is a lame duck. What it needs to establish its credibility is a respected, dynamic and committed boss.

A decision has to be made within the near future on whether a consensus can still be reached on one of the three public candidates. Should the answer be no, a small, high level search committee should be established (maybe with one representative from the EU, one from the US, one from Japan and one from other contracting parties, each working in a personal capacity). Meanwhile, there should be no new candidacies. This committee should be given a limited amount of time in which to come up with an agreed candidate.

No nationality requirement should be imposed, since it is absurd to suppose that a country would gain advantage from a director general of its own nationality. On the contrary, a new director-general would have to bend over backwards to show independence from his sponsors. The search committee should focus, instead, on finding someone with the needed qualities of strategic vision, technical competence, diplomatic finesse, administrative skill and political forcefulness.

Grudging attitude

Unfortunately, the failure to agree on a new head for the WTO is not the only indication of indifference to its fate. Also significant has been the grudging attitude to the provision of the resources it needs. The budget of the WTO is a mere SFr105m ($84.2m). Its professional staff is 200, which includes an additional 18 to reflect the increase in responsibilities. By contrast, the International Labour Organisation, hardly a central player in the global economy, had almost 1,700 professionals at the end of 1993.

Nobody wants the WTO to become yet another bloated international bureaucracy. But it does need the resources to service a host of committees, including the new dispute settlement procedures, clarify issues in world trade, assist less sophisticated members and prepare for additional members, such as China and Russia. It looks as though major powers want to starve the organisation. But the WTO will stand or fall by its credibility as an organisation dedicated to multilateral liberal trade. It needs the resources to carry out this task.

It also needs a head with the will to do so. The issue is not whether the EU and the US can reach a consensus on who the new boss should be at some point in the future. It is whether they care enough about this organisation to reach a decision soon.

More folly in banking

Large subsidies for Air France and Groupe Bull have already slipped through the net of European competition policy. The signs are that Crédit Lyonnais, now at the centre of a second rescue package within 12 months, will be allowed to follow suit. Yet the European Commission should not concede the point without a fight. It would be far better for both the European and French banking markets if this troubled institution were subjected to brutal rationalisation.

It will, of course, be argued that banking is different from other industries because of its role in the monetary system, and that French banking is more different than most. Yet the striking thing about the recent history of Crédit Lyonnais is how closely its mistakes resemble those made by others around the world. Under Jean-Yves Haberer the bank set out to dominate Europe's Single Market. It was also obsessed with global growth; and in its dash for glory it acquired the besetting sins of Anglo-Saxon and Japanese bank management.

Property provided a seductive target for its growth-hungry loan officers, both at home and overseas, where Crédit Lyonnais became the second largest lender to Olympia & York's disastrous scheme in London's docklands. Equally impressive in their ability to absorb large amounts of the bank's resources were such shaky entrepreneurs as Bernard Tapie, Robert Maxwell and Giancarlo Parretti, the Italian financier who bought Metro-Goldwyn-Mayer on a mountain of borrowed money.

Moral hazard

If there was a difference, it was that the old banking problem of moral hazard, whereby the implicit guarantee of a central bank lender of last resort encourages indiscipline, was made worse here by the explicit fact of majority state ownership. With hindsight the deferment of privatisation when the socialists returned to power in 1988 was singularly unfortunate. The capital markets may be imperfect monitors of bank management, but it is hard to believe that the 70 per cent-plus growth in gross lending at Crédit Lyonnais between 1989 and 1992 would have failed to prompt a market panic. The problem was further compounded because Mr Haberer was a former head of the French Treasury. The incestuous culture of French élite officialdom is ill-designed to provide checks and balances over someone with Mr Haberer's impressive credentials in the hierarchy.

This, then, is indeed moral hazard with a French twist, if not a difference; and a twist is also apparent in the slow-motion remedies now being applied by new boss Mr Jean Peyrelevade to a balance sheet with total assets at 1993 values of nearly FFr2,000bn ($390m). In fairness to Mr Peyrelevade, his unstated mandate has been to minimise political embarrassment before the presidential election, while conducting a stately work-out. But his more formal mandate is deficient.

National champion

French retail banking has long suffered from overcapacity, which helps explain why the domestic competitors of Crédit Lyonnais have been up in arms over the soft treatment meeted out to a national champion that lost FFr6.9bn in 1993 and will record further losses in 1994. The group is of a size where its international competitors must also worry about where the subsidy process will end. From any sane economic perspective the sensible solution would be to wind the bank down. And, given the fact of state control, the threat of a run on deposits during this process would be non-existent.

The more likely outcome is a fudge, in which the pace of asset sales will be stepped up in exchange for bigger guarantees for risky assets removed from the Crédit Lyonnais balance sheet. Any injection of capital will probably be restricted to what is needed to meet the minimum solvency requirements of the Bank for International Settlements, to reduce political fall-out, and to placate the authorities in Brussels and Basle. There will be much irrelevant talk about the importance of not comparing banking with steel or computers in the context of subsidies.

A promise of privatisation would reduce, but not eliminate, the risk of a re-run. While welcome, it should be recognised, in this case, for what it is: a *pis aller*.

Trapped in stagnant waters

The lack of activity that has afflicted Tokyo's stock market in recent years is far from over, says **Gerard Baker**

Scarcely a week goes by in Japan without news of another stockbroker falling victim to the country's prolonged stock market agony.

Two weeks ago, Nomura Securities announced the first loss in its history, more than Y20bn ($206m) in the first 10 months of the current financial year. Last week, CS First Boston, the US broker, became the third foreign broker in four months to abandon the trading of equities in Tokyo, following in the footsteps of Kidder Peabody and Prudential Securities. Yesterday Daiwa Securities revealed plans for a restructuring of its global operations.

All these events are evidence of the dearth of activity on the Tokyo Stock Exchange. And the longer the inactivity continues, the clearer it becomes that this is not simply a cyclical downturn. It seems there has been a longer-term structural shift within Japan's financial markets, which has created an imbalance between demand and supply of equities.

The data that track the market's decline make depressing reading. Daily trading volumes on the Tokyo Stock Exchange were over 1bn shares in 1988. That figure dwindled to 350m last year. The Nikkei index stands at just over 40 per cent of its 1989 level, and has declined by 15 per cent from the top of its brief rally last year, in spite of projections of output and earnings recovery.

The volume of trading as a proportion of market capitalisation on the TSE is lower than in almost any other stock market. The total trading value of $475bn two years ago was just 21 per cent of total capitalisation; in the same year, the figure in London was over 60 per cent, in Paris 56 per cent, in New York 45 per cent, and in Frankfurt 30 per cent.

For a brief moment last month it seemed that the Kobe earthquake might jolt the market from its lassitude. In the immediate aftermath of the quake, like the needle on the seismograph, the Nikkei fluctuated wildly, and trading increased to more than 500m shares a day. But as the geological aftershocks receded, so did any sign of movement in the stock market. Trading volumes are back to 300m shares a day.

Optimists say the market is merely stuck in a prolonged cyclical downturn and is set for recovery. With earnings expected to recover this year, they say the market will recover too.

"Investors will be positively surprised as profit forecasts are revised up," says Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo.

The optimists, however, are in retreat. The stagnation of Japan's stock market for the past five years suggests that there are much more deep-rooted problems, and that this is a secular rather than a short-term cyclical decline.

The principal corollary of years of rising asset prices in the 1980s is the imbalance now within the equity market between the supply of and demand for stocks. "The prospects for the market can be summed up in one simple phrase," says one broker. "Japanese investors are now, for the long term, strategic sellers and tactical buyers."

This conclusion is derived from the peculiarity of the ownership patterns for Japanese shares. In Japan, unlike in the US and the UK, the bulk of equity is owned not by pension funds, life assurers and investment trusts, but by banks and big industrial corporations. The principal reason for holding shares is not to secure a financial return, but to further a business relationship.

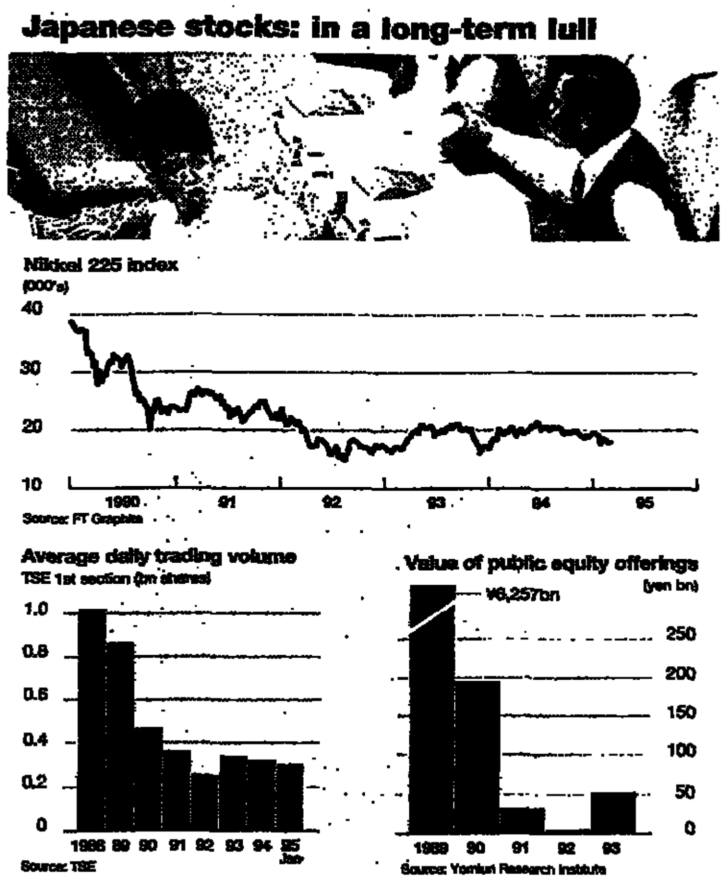
Mr Andrew Smithers, an independent stock market analyst, says: "The Japanese market is not driven by profits or interest rates, but by ownership. Investors place a higher premium on shares than the simple monetary return they get and so the market has been overvalued for years."

In the heady years of the 1980s, industrial corporations, flush with cash, extended the embrace of their relationships. But in 1990 the process went into reverse. The high levels of debt that companies incurred forced them to find cash, and they did it through liquidating shareholdings. Many companies had decided in any case to loosen the ties that have long bound them together in industrial relationships.

In every month in 1993 and 1994, industrial corporations were net sellers of stocks. In those two years, they sold a total of more than Y37,000bn in equity. But they remain heavily indebted and seem set to continue the process.

Mr David Pike, equity strategist at BZW Securities, says: "There is no question that there is an underlying shift occurring, gradually, in corporate relationships, which is leading to an undermining of the equity link." This shift is producing a weight of additional supply in the market. Industrial corporations still account for more than a quarter of all equity ownership and are likely to continue to dump those shares.

Japanese stocks: in a long-term lull



Net purchases/sales of equities by category
(Yen bn)

	1990	1991	1992	1993	1994
Banks	−2,548.9	767.8	848.3	2,942.8	2,165.3
Other financial	1,325.4	−1,725.3	−297.1	−352.0	−1,897.4
Industrial corporations	776.0	−1,760.5	−755.8	−1,878.2	−1,850.3
Individuals	1,671.7	−2,932.8	22.8	−1,147.2	−2,033.1

Source: Yamaichi Research

So far, that selling pressure has been enough to depress but not overwhelm the market. The principal depositary of the sold stocks has been the banking sector. Banks had a particular motive for buying other companies' shares – they could count those shareholdings, at a discount, as part of their own capital. As stock prices rose in the 1980s, banks found themselves with more capital and therefore more room to expand their loan book. As competition to lend became fiercer among the banks, they secured their lending market by buying shares in other companies to cement relationships. By 1993 banks owned more than 22 per cent of all shares.

But they may be approaching the end of this de facto support mechanism. The most important effect of their equity holdings is enormous volatility in the levels of credit the banks can extend to borrowers. The shares held as part of their capital make their ability to lend extremely vulnerable to movements in equity prices. As prices rise and fall, banks' ability to lend rises and falls as well, and because banks' profits are already under pressure from the weight of bad loans, the implications for overall liquidity in the economy are substantial.

Nomura Research Institute recently calculated that banks' dependence on equity holdings means that they can expand lending in the next few years by no more than 3 per cent annually. As the Japanese economy recovers and demand for bank lending rises, that position cannot be maintained. The only solution for the banks is to diminish their reliance on other companies' shares and to increase their own capital by issuing more equity or equity-linked bonds.

But they are in a vicious circle. If they sell their equities, prices will fall, threatening their capital ratios and so further diminishing their asset base. Instead their aim is to take any opportunity to sell into a rising market and diminish that dependence without threatening their capital base. This is part of the supply-demand equation that is behind the depression in the stock market.

The disequilibrium would have been much worse if the government had not intervened to prop up the market. Over the past three years, the authorities have pumped in up to Y12,000bn, through purchases of equities by public sector institutions such as pension funds. At the same time, a near-total ban by the government on new equity issuance has kept the supply of equity below what it would have been in a free market. Between 1989 and 1993, funds raised in public placements fell sharply, partly as a result of limited demand in the recession but principally because of the government's moratorium on issuance.

But this "price-keeping operation" has, as Mr Smithers points out, merely delayed the inevitable. "The price-keeping operation has prevented the market from performing its primary function, the provision of risk capital. The government is simply adding to Japan's longer-term problems by inhibiting the refinancing of Japanese business."

The support cannot last indefinitely. It is costly and ultimately inefficient. Only by allowing the market to reach its own equilibrium can its long-term prospects be guaranteed. And for the immediate future that spells continued retrenchment for brokers.

Andrew Adonis and **Ian Rodger** on UK government ideas for a Swiss-style reform of welfare

Regional allowance

The welfare agenda of the Conservative right in the UK used to be clear and unsubtle: cut as much as is electorally palatable.

Mr Peter Lilley, social security secretary, has honed a more sophisticated approach during his three years in charge of Whitehall's biggest spending department. A twin-track strategy is evolving, in which piecemeal cuts run hand-in-hand with a new emphasis on devolving welfare responsibilities to lower tiers of government.

Mr Lilley says the strategy is "modelled on Nigel Lawson's approach to tax reform in the 1980s, taking one or more big areas each year and then moving on without seeking to impose an elegant intellectual structure on the real world".

It is a strategy of pragmatic reforms in pursuit of a controversial goal. "I want to see us closer to the Americans than the rest of Europe on public spending as a proportion of national income," he says. "It is important that we keep clear water between our tax level and that of the rest of Europe."

Yet Mr Lilley does not fit the conventional Tory Europhobic mould. "One of the extraordinary things about Whitehall is how little it knows about what happens abroad," he says. "We have got the most centralised and uniform benefits system of any I know, yet it is not clear that our centralised system has always delivered better results than more decentralised systems." He cites Switzerland, "at the opposite extreme to us" with its 23 separate cantons, as a country which has "combined the most generous rates of benefit in Europe with one of the lowest levels of dependency".

The Swiss reality is not so simple. Many components of the Swiss system – notably old-age pensions and accident, disability and unemployment insurance – are uniform across the country, and not particularly cheap. But health insurance and family allowances do vary between cantons, sometimes to a startling degree. In Zug, the canton with the highest income and wealth per capita and the lowest taxes, the minimum monthly child's allowance is SFr180. In hard-pressed Zurich, it is only SFr100. "Welfare tourism" – the movement of claimants from one area to another in search of higher benefits, and a favourite theme of Mr Lilley's – is a national problem, necessitating a complex regime of inter-cantonal payments.

Whatever the value of the Swiss model, more remarkable is the fact that a Tory radical should consider that the confederation has much to teach Britain, the most centralised of Europe's larger states. "I have never been as hostile to local authorities as perhaps an unreconstructed Thatcherite ought to be," says Mr Lilley. "I want as little government as possible, whether central or local – and if the local is better, that's fine. I don't think the Whitehall record of controlling expenditure is so exemplary that we should not look at alternatives."

The emphasis is on new ways to restrain growth in the £83bn social security budget. In a giddy reversal of roles, devolution may become the Tory means to that end.

Most local government leaders believe that social security should remain a central government responsibility. Yet the welfare state is not, and never has been, a purely national matter. Councils are significant welfare providers. In housing benefit they administer one of the principal social security payments. And they are responsible for community care, including financing residential care for elderly and disabled people. Standards of local welfare services vary widely across the country, as does education and health provision.

The experience of administering housing benefit and community care leaves local councils unenthusiastic about taking on a wider welfare role. Community care, the only significant responsibility devolved to local government under Mrs Thatcher, has been a serious burden on local social services departments; they claim that the government has not provided sufficient funding since transferring responsibility to local councils.

As for housing benefit, set to cost £10bn this year, the government announced last November that it plans to cap payments to tenants with rents above their local authority average. Those affected will be reimbursed only 50 per cent of the rent above that average. To deal with cases of hardship, councils will be given limited funds for use at their discretion.

So councils will have to deal with the social consequences of a cost-cutting policy which, particularly in some inner city areas, could lead to significant suffering. In Mr Lilley's view, councils are well-placed to exercise such local discretion: it is part of their *raison d'être*.

Yet to many councillors, implementing policies to which they are opposed in principle, with little discretion to supplement national benefits through local taxation, is an abuse of local government.

Mr Lilley has yet to declare the next targets on his reform agenda. Again, his emphasis is likely to be on reducing the numbers entitled to benefit, rather than cutting the rate of benefit paid to each recipient.

Once again America beckons – "a society of self-selected, self-reliant people," Mr Lilley says. "In general, the problem with our system isn't that benefits are too generous, but that dependency is too widespread."

OBSERVER

All switched on

■ John Whybrow won't be short of company when he arrives at Philip's headquarters in Eindhoven in April to take charge of the lighting division, which is the world's largest light bulb producer. For he is by no means the first Brit to march confidently on the electronics multinational's corporate bastion.

Already *in situ* are fellow countrymen Dudley Eustace, finance director; Kevin Kennedy, head of domestic appliances and personal care products; and Doug Dunn, chairman of the semi-conductor product division. That makes four Brits on the 14-member group management committee alongside three Americans, a Swede and a Frenchman – and five Dutch.

The UK seems to have become a good place to get noticed. Whybrow, a graduate in mechanical engineering with an MBA from Manchester Business School, had been heading Philips UK, immediately succeeding Kennedy, when he got the call from the Netherlands.

Banker's rabbit

■ Shareholders in Commerzbank, smallest of Frankfurt's 'big three' banks, are waiting to hear how generous it will be in its 125th anniversary year.

Its larger rival, Deutsche Bank, also 125 years old this year, has promised a DM3 a share bonus payment on top of the dividend. Dresdner Bank, the second biggest, is two years younger, so has time to reflect on how generous it feels the need to be. Commerzbank is unlikely to be as generous as Deutsche, but will certainly pay a celebratory bonus of some kind, perhaps DM1.50.

Commerzbank has, however, pulled one surprise rabbit from its hat – a Eurocard (the European payment card linked with Mastercard) account, paying interest at around money market rates. This gives the bank another first, following its energetic pioneering last year of the newly permitted money market funds.

These funds brought in new customers, though competition has hotted up from others. Competitors are inevitably following with their own interest-bearing card accounts. But Commerzbank has again shown that being smaller can also mean being nimbler.

Short story

■ United Biscuits is keen to play down the idea that it has picked ICI's Colin Short as its next chairman because he is a skilled corporate gunfighter. It only adds to the speculation that one of the City's favourite bid targets is strengthening its defences.

Short, a Welsh accountant who joined Gulf Oil in 1968 and spent the next 21 years in the oil industry, is equally reluctant to embellish this side of his career. However, he admits that one date is etched in his mind – September 14 1983. That was when he was appointed chief financial officer of Gulf Oil, one of the so-called seven sisters which dominated the world oil industry.

His first task was to go to New York to find out who was buying Gulf's shares. Within 24 hours he had discovered that it was Boone Pickens, a Texas oil man who terrorised sleepy oil companies, and Gulf Oil was never the same again. Short and his colleagues fended off Pickens' unwelcome advances but were driven into the friendly arms of Chevron.

Boone Pickens and fellow corporate predators may be history. But their insistence on enhancing shareholder values has left an indelible mark on Short, which may just explain why he is a good choice to chair UB.

Beggar's opera

■ For sale, maybe, some concert halls in Paris. The *Salle Pleyel* is a strange enough beast, being a French construct named after an Austrian-born composer. But guess who its owner is. Why . . . Crédit Lyonnais, of course, that commodious repository of sundry oddities not normally associated with the business of banking.

The state-owned bank's manifold financial woes seem to be a talking point even in the musical community. But for some reason it is the wind section of the Orchestre de Paris, whose home the Salle Pleyel is, that seems to be particularly insistent that the place is up for sale.

The bank dismisses this as so much hot air. But should a well-heeled buyer transpire for the 2,300 seat auditorium and the clutch of other halls, it would presumably change its tune.

Common currency

■ Michel Sapin, the former French finance minister who is now a member of the Bank of France's central council, breezed into London – and promptly found himself bowled over by a more potent monetary force. Madonna had taken over the room he had booked at the Lanesborough hotel.

Having shepherded the franc during the 1992 foreign exchange turmoils, Sapin knows a thing or two about a crisis. He stayed cool, and made way for the American pop star. He was even overcome by a bout of nostalgia for his spell as justice minister, when he could monitor her frequent visits to the Ritz from his desk. Readers will be relieved to know his enthusiasm stops short of putting her name forward as a possible handle for the single European currency.

The Financial Times

100 years ago

Repudiation of bonds
New York: A despatch from Ironwood, Michigan, states that the Mayor and officials of that place have unanimously decided to repudiate the last issue of City bonds. These were offered to a firm which has since gone bankrupt. The bonds were, it is said, held in New York, Boston and London.

50 years ago

Speculators' profits in the US
Washington: A proposal that a special tax be levied on wartime speculative profits from the resale of farms, homes and stocks was made by Mr Marriner S. Eccles, chairman of the Federal Reserve Board, in his testimony before the Senate Banking and Currency Committee.

He said: "That is one door left open – the capital market. Nothing can keep cash, or future cash represented by Government bond holdings, in the hands of individuals from being spent to buy farms, homes and stocks when they cannot buy goods and services."

Any attempt at legislation for a special tax on war-time speculative profits will face stiff opposition in Congress.

FINANCIAL TIMES
Wednesday February 22 1995

Bundesbank warns of inflationary pressure in economic boom

Germany faces interest rate rise

By Christopher Parkes in Frankfurt

Germany faces the risk of higher interest rates as inflationary pressures grow and business confidence rises to peaks not seen since the unification boom of 1991, the Bundesbank warns in a report published today.

In its latest economic review, the country's central bank says that it will act to counter the effects of any price increases. It notes that raw materials and import prices are rising in response to an accelerating worldwide economic recovery, while companies attempt to raise selling prices as demand grows.

The alarms come at a time when the German central bank is within an ace of achieving its goal of so-called "price stability" – an annual inflation rate of 2 per cent.

The rate dropped from 2.7 per cent in December to 2.3 per cent in January and the consumer price index has been rising at a seasonally adjusted annual rate of 1¾ per cent for past six months.

The review, published in the Bundesbank's monthly report for February, appears to end any lingering hopes of further cuts in Germany's discount and Lombard lending rates, held at 4.5 per cent and 6 per cent respectively since last May.

The report also includes a reminder to industry to avoid loading itself with extra costs which could reduce competitiveness, especially in the light of the recent sharp revaluation of the D-Mark, which has continued since the report was completed in mid-February.

At that time the D-Mark had appreciated by 4 per cent against other European currencies since the start of the year. The report said it was hard to explain the swing, although "political uncertainty" appeared to be the main cause.

The authors of the report, with an eye on the impending industrial strife in the engineering industry, also warn of the need for moderate pay settlements.

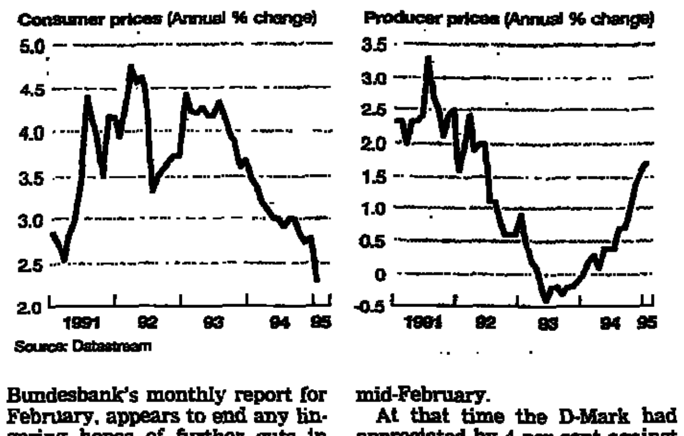
By helping to reduce unit labour costs, the modest wage deals of the past two years have played an important part in enabling German industry to sell goods in recovering markets at internationally competitive prices, they say.

The stronger D-Mark is also playing a role. The Bundesbank's favoured raw materials price index was up more than 23 per cent year on year during January, although appreciation of the D-Mark against the US dollar means German industry is paying a more modest 8.5 per cent extra, says the report.

Reviewing progress in the domestic economic recovery, the bank says investment has improved following a rise in foreign demand, while private consumption is lagging.

Embellishing its report last week in which it said west German economic output grew 3½ per cent in the final quarter of last year, the bank notes business confidence is higher than the boom following unification with the former East Germany.

Western German Inflation



Lira hits record low against D-Mark, Page 31

S Africa urged to drop financial rand

By Mark Suzman and Roger Matthews in Cape Town

Pressure is mounting on the South African government to dismantle the country's controversial two-tier exchange rate after Mr Chris Stals, Reserve Bank governor, yesterday said economic conditions were right for its abolition.

The decision to abolish the financial rand was now a matter of "political discretion", not of central bank rules, Mr Stals said.

He was confident South Africa could easily cope with any short-term capital outflows arising from the change. "A year ago it would have been foolish to abolish the finrand," he said. "Now it is a matter of discretion, not rules. I'm passing the buck. It is now a political decision."

The financial rand is a special currency designed to protect South Africa's foreign reserves by providing a restricted pool of rands for transactions by non-residents. It trades at a variable discount to the commercial rand, the currency for all conventional balance of payments transactions.

The gap between the two currencies, which has been as high as 50 per cent, is used as a measure of international investor confidence in South Africa.

Markets responded positively to yesterday's statements, with the difference between the financial rand and the commercial rand narrowing from 7.9 per cent to 7.2 per cent.

However, within hours of Mr Stals' comments, Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, led an IFP walkout from parliament, claiming the government had reneged on a promise made before last year's elections to submit Inkatha demands to international mediation.

He said 21 legislators would boycott parliament until a special IFP congress on March 5 and 6, to decide whether to quit permanently.

Mr Stals has repeatedly said that before the financial rand could be scrapped there would have to be a strong improvement in foreign reserves, a narrowing of the discount between the financial and commercial rands to below 10 per cent, and a reduction in the financial rand bank balances held by foreigners.

Mr Chris Liebenberg, finance minister, said yesterday that he remained unequivocally in favour of getting rid of the financial rand as soon as possible. "The disadvantages far exceed the possible advantages," he said.

But not all ministers are persuaded, and some international bankers recently advised South Africa to retain the present system for a longer period.

See Lex

THE LEX COLUMN

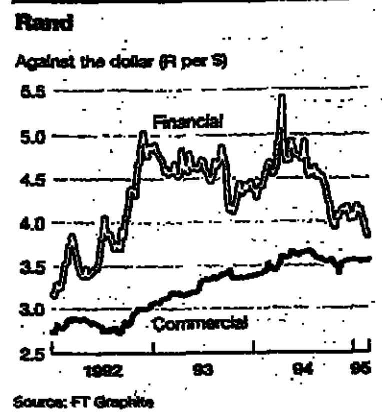
Rand revolution

South Africa needs to dismantle its panoply of exchange controls if it is to integrate with the world economy. The abolition of the country's two-tier exchange rate – backed yesterday by the finance minister and central bank governor – would be a big step in this direction. But it also carries risks. If the financial rand is abolished, much of the hot money that has recently flowed into the country to take advantage of the arbitrage potential between the two exchange rates will flow out again.

South Africa can withstand a short-term outflow of speculative capital. But given low foreign reserves and a growing current account deficit, its finances will be under pressure unless there is a matching inflow in the medium term. The hope is that abolishing the financial rand will have just that effect, since a big deterrent to foreign investors is the two-tier exchange rate. The sums involved could be large. Emerging market fund flows alone could amount to $8bn if the South African stock market attracted investment proportionate to its capitalisation. Direct investment might also receive a boost.

But the abolition of the financial rand alone will not be enough to attract capital inflows. Foreign investors will need comfort that the political situation is stable – something hardly helped by Chief Mangosuthu Buthelezi's walk-out from parliament yesterday. Investors will also need assurance that the government is pursuing sound economic policies. Next month's budget will be a big test.

FT-SE Eurotrack 200:
1367.3 (-0.4)



US banking

Fleet Financial's acquisition of Shawmut represents another step in the inexorable consolidation of the US banking industry. The need for rationalisation is incontrovertible: the US, served by some 67,000 branches, is, like most countries, over-banked. Expensive overlapping branch networks are hard to justify in an age of information technology. Some rationalisation has already occurred: the mergers in 1991 between Bank of America and Security Pacific and between Chemical Banking and Manufacturers Hanover Trust signalled the start. However, in recent months the pace of change has been restrained by most banks' low stock market valuations.

Yesterday's deal signals an acceleration in the trend. The impetus for further rationalisation comes partly from stuttering revenue growth, as the benefits of falling provisions begin to end. But more important is the new liberal legislative environment which allows the creation of super-regional and even nationwide banking organisations. Some states already allow interstate banking, but from June 1997, banks from separate states will be able to merge throughout the US. By increasing scale and cutting duplicated costs, US banks should be able to improve their cost-income ratios significantly.

Fleet's series of acquisitions has created a super-regional bank, ranking it among the US top 10. A combination of greater pricing power and continued cost-cutting should drive earnings growth. Fleet's progress should serve as a model for others to follow.

Unilever

Unilever has had to run rather fast just to stand still. Its push to build up its ice cream and personal products divisions has been substantially rewarded. In addition, the group's heavy investment outside the core markets of Europe and the US is already reaping good returns – the rest of the world accounted for 27 per cent of total sales in 1994. Despite these positive stories, profits before exceptional items grew by a rather pedestrian 4 per cent at a time of broad economic recovery.

Of course, the results were hit by Persil Power. Unilever did the right thing in washing its hands of the soap war, through a £57m write off. Now it has at least cleared the decks. Still, a fundamental error in Unilever's core skills of product innovation and brand enhancement raises obvious concerns. Moreover, even taking out Persil, there was continuing weakness in Unilever's margarine and dairy products divisions, which resulted in the group's food manufacturing profits rising by just one per cent.

At least the next two quarters should be easier for Unilever to impress the market, since they will compare with weak performances in 1994. Margin benefits should start to show through from 1993's £490m cost cutting provisions. And the success of its emerging markets business, where it achieves above average margins despite the high level of investment, gives it scope to impress. But it will take a pleasant surprise to push the shares beyond their average market rating.

NatWest Group

National Westminster Bank is to be called NatWest Group. The change is to emphasise that the company is a portfolio of businesses rather than just a UK clearing bank. That is all very well, but the problem remains that – to outsiders at least – the management's portfolio strategy appears at best unfocused, at worst misguided.

The rationale behind the strategy is to reduce the group's dependency on UK banking which it expects to suffer poor growth in a low-inflation environment. But for the moment it remains unclear whether NatWest can generate better returns on capital in other business areas.

NatWest's push into investment banking is at a price – the earnings stream is extremely volatile. Moreover, the group's grip on expenses looks casual. Group income dropped 1 per cent, while costs increased 5 per cent. Operating costs have ballooned 35 per cent since 1989, compared with an industry average of 10 per cent. The 69 per cent cost-income ratio is the sector's worst.

NatWest's shares are standing at a discount of around 40 per cent to the market on a price/earnings basis. The prospective yield is over 6 per cent. There is no disputing the shares are lowly rated, but that does not mean they are good value. Given the scale of its investment drive, NatWest now needs to demonstrate it can make a decent return. Until then, it is difficult to imagine a significant rerating.

See additional comments on Trafalgar House and GRE, Page 26

Unilever write offs $88m

Continued from Page 1

level of catalyst. It says the new version, downgraded from flagship to niche product, is safe to use as directed. Analysts expect it to "wither on the vine", however, because Unilever has withdrawn advertising support.

Mr Morris Tabaksblat, chairman of the Dutch arm of Unilever, said in Rotterdam: "We hate making a mistake, that's something we find very annoying and something we ourselves take very seriously.

"We remain a leading producer of detergents, including textile detergents, in Europe. This has put a small dent, really minimal, in our position which we think we can fully repair."

UK bond market reform aims to attract international funds

By Graham Bowley and Richard Lapper

Wide-ranging reforms of the UK government bond – or gilts – market aimed at attracting more international investors are set to take effect in January.

The reforms, announced yesterday by Mr Kenneth Clarke, the chancellor, are intended to reduce the cost of government borrowing. The UK now pays half to more than one percentage point more than most other industrialised countries to service its debt.

The reforms will allow all participants in the gilts market to borrow and lend bonds.

This open sale and repurchase market – a repo market – will enable people to finance positions in the market by selling gilts for cash and to go short – committing to sell gilts they do not own, normally in anticipation of the market's falling. France, Germany and the US already have well-developed repo markets.

In addition, the reforms will allow institutions such as life assurance companies – but not individuals – holding gilts to receive interest payments before deduction of tax.

Tax is currently withheld at source. From January, it will be payable quarterly in arrears. The tax change is essential for an efficient repo market.

"The introduction of an open repo market marks an important further step in the development of the gilts markets," Mr Clarke said. "Repos should improve both the liquidity and efficiency of this market, reducing yields and hence the government's debt interest costs."

Overseas investors own about 19 per cent of outstanding gilts. In the last five years competition among bond markets for overseas funds has intensified. The UK is felt to have lost out partly because it is less attractive than other European markets which have been quicker to modernise.

Mr Anthony Nelson, economic secretary to the Treasury, said the repo market "will secure our position in the first division of international sovereign bond markets and secure fine pricing for the taxpayer."

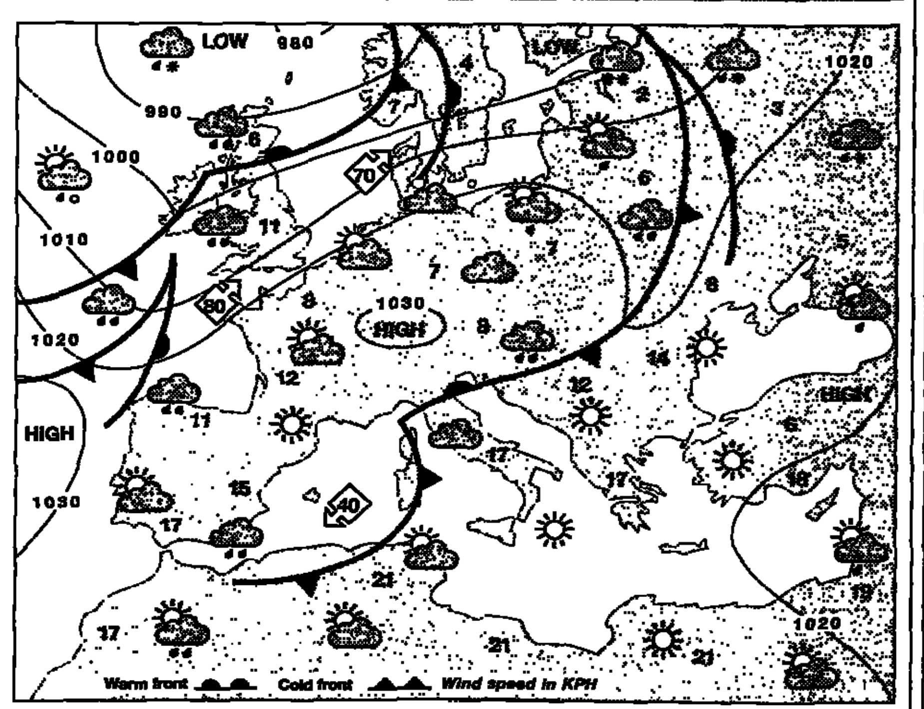
FT WEATHER GUIDE

Europe today

A front associated with a depression between Iceland and Norway will be accompanied by rain and some hail as it tracks across the UK and western Scandinavia. A disturbance will develop just south of Ireland and will move north. This will cause more rain and strong gales near the Channel and over parts of the North Sea. Southern France and northern Spain will be dry and sunny. Other sections of western Europe will be dry with sunny spells. North-west Africa, western Spain, the Alps and western Russia will have more rain as a result of another lingering frontal zone. Much of the Mediterranean will have a lot of sun.

Five-day forecast

Depressions over the north Atlantic will move into western Europe and will continue to bring rain and wind to the UK, Norway, the Benelux, France and northern Spain. Italy, the Balkans and western Turkey will have a lot of rain later in the week. The rest of Europe will not see significant changes.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	26
Accra	fair	26
Algiers	fair	17
Amsterdam	fair	9
Athens	sun	18
Atlanta	sun	15
B. Aires	thund	28
B.ham	rain	11
Bangkok	fair	35
Barcelona	fair	13
Beijing	fair	7
Belfast	rain	7
Belgrade	fair	13
Berlin	fair	8
Bermuda	shower	22
Bogota	cloudy	21
Bombay	sun	32
Brussels	fair	8
Budapest	rain	10
C.hagen	cloudy	6
Cairo	cloudy	19
Cape Town	fair	29
Caracas	sun	29
Cardiff	rain	11
Casablanca	fair	17
Chicago	fair	2
Cologne	fair	8
Dakar	fair	25
Dallas	cloudy	22
Delhi	fair	24
Dubai	sun	26
Dublin	rain	9
Dubrovnik	sun	17
Edinburgh	rain	8
Faro	sun	19
Frankfurt	fair	7
Geneva	fair	7
Gibraltar	fair	17
Glasgow	rain	8
Hamburg	fair	8
Helsinki	snow	2
Hong Kong	rain	18
Honolulu	sun	26
Istanbul	sun	12
Jakarta	thund	30
Jersey	shower	10
Karachi	fair	31
Kuwait	fair	25
L. Angeles	sun	31
Las Palmas	sun	22
Lima	fair	28
Lisbon	fair	16
London	rain	12
Lux.bourg	fair	4
Lyon	sun	6
Madeira	fair	17
Madrid	cloudy	11
Majorca	fair	15
Malta	sun	17
Manchester	rain	11
Manila	cloudy	31
Melbourne	fair	22
Mexico City	fair	25
Miami	sun	24
Milan	rain	13
Montreal	snow	-5
Moscow	sleet	3
Munich	fair	4
Nairobi	sun	29
Naples	sun	17
Nassau	sun	25
New York	fair	5
Nice	sun	14
Nicosia	sun	18
Oslo	cloudy	6
Paris	fair	8
Perth	thund	39
Prague	cloudy	6
Rangoon	sun	33
Reykjavik	sun	0
Rio	fair	32
Rome	fair	16
S. Frsco	sun	21
Seoul	sun	6
Singapore	shower	31
Stockholm	cloudy	6
Strasbourg	fair	7
Sydney	shower	25
Tangier	shower	17
Tel Aviv	rain	17
Tokyo	fair	10
Toronto	snow	-2
Vancouver	fair	12
Venice	rain	12
Vienna	rain	8
Warsaw	fair	7
Washington	fair	7
Wellington	cloudy	20
Winnipeg	fair	-5
Zurich	fair	6

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 22 1995

IN BRIEF

Honda rides high on strong sales

Honda, the Japanese carmaker, almost doubled its third-quarter consolidated profits on the back of strong sales for Odyssey, a new recreational vehicle, and continued cost-cutting. Page 24

United Biscuits chooses chairman
United Biscuits has chosen as its next chairman Mr Colin Short, a veteran defender from two classic bid battles known for his rigorous financial and managerial skills. Page 28

Dominion hires ex-Kidder Peabody staff
RBC Dominion Securities, Royal Bank of Canada's investment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm. Page 25

Swedish bank bounces back with big rise
Svenska Handelsbanken, one of Sweden's leading commercial banks, reported the second-best result in its history, just two years after the severe loan loss crisis threatened to cripple the country's banking system. Page 22

Mitsubishi may help affiliates
Mitsubishi Bank, one of Japan's largest financial institutions, is considering further measures to assist two troubled affiliate companies, Diamond Mortgage and Diamond Factors. Page 24

Dell taps into record sales
Dell Computer , the US personal computer manufacturer, reported record sales for its fourth fiscal quarter, boosted by strong sales of notebook computers and Pentium desktop PCs. Page 25

Strong commodities prices boost Gencor
Gencor, the South African mining house, has reported a rise in attributable earnings, to R392m ($110.8m) for the six months to December 31. Operating for the 1994 period was R422m as most of the group's companies benefited from improved prices in commodity markets. Page 24

Deere breaks records on income
Deere and Company, the US agricultural and construction equipment manufacturer, reported record first-quarter net income of $138.4m or $1.60 per share, up nearly 60 per cent from $87m or $1.20 per share last year. Page 25

Yorkshire Chemicals cheered by 10% rise
Yorkshire Chemicals, the UK dyes and chemicals manufacturer, weathered price erosion and raw material cost inflation as it lifted pre-tax profits 10 per cent from £13m ($20.15m) to £14.4m. Page 28

Overseas business raises Sedgwick 34%
Strong growth in its European and North American retail operations and continued expansion in fee-based businesses helped Sedgwick, the UK insurance broker, post a 34 per cent increase in 1994 pre-tax profits to £94.4m. ($146.32) Page 28

GRE lifts trading profits 62.8%
Guardian Royal Exchange, the composite insurer, posted a 62.8 per cent increase in trading profits in 1994, helped by stronger-than-expected earnings from international operations. Page 28

Barry Riley is away

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
PWA	273	+	4
Falls			
CKAG Col Prf	775	–	15
KHD	55.1	–	3.9
Lahmeyer	360	–	10
Linde	882	–	42
Rosenthal	209	–	4
NEW YORK ($)			
Rises			
Shawmut Natl	25	+	4¼
Falls			
Fleet Finl	30⅝	–	2⅝
Hibernia	6⅝	–	⅛
Home Depot	46⅞	–	1⅛
Philip Morris	58	–	2¼
US Shoe	18⅝	–	1⅛
LONDON (Pence)			
Rises			
Clondalkin	300	+	20
Ingham	54	+	4
Falls			
Airtours	420	–	16
Brit Thornton	25	–	3
CentreGold	80	–	37
Vendome	426	–	20
TORONTO (C$)			
Rises			
Accugraph Cl A	7¼	+	⅛
Rolland Inc A	8½	+	⅜
Wajax	21½	+	1
Falls			
Cinram	18	–	¼
Methanex Corp	15½	–	⅜
Sobkey Sobw	34⅝	–	1⅛

PARIS (FFr)			
Rises			
Spie Batignolles	185.1	+	14.3
Union Immob Fr	424	+	11
Falls			
Immobanque	610	–	38
Remy Cointreau	173.5	–	5.4
Taittinger	2184	–	66
Worms Cie	283.3	–	10.8
TOKYO (Yen)			
Rises			
CSK	2780	+	110
Kyushu El Pwr	2420	+	120
Mochida Pharm	2010	+	180
Okuma Corp	850	+	28
Yokogawa Elec	949	+	39
Falls			
Nippon Paint	587	–	23
HONG KONG (HK$)			
Rises			
Cheung Kong	32.2	+	1.0
Henderson Land	38.5	+	2.2
New World Dev	20.15	+	0.65
Sun Hung Kai	49	+	1.9
Falls			
HB Intl	0.8	–	0.15
Winsor Ind	9.5	–	0.15
BANGKOK (Baht)			
Rises			
Bumrungrad Hos	58	+	4.5
Thai Poly	59	+	5
Ushbai Odda	129	+	9
Falls			
Matichon	88.5	–	7.5
Thai Agri Foods	72	–	7.5
Thai President	232	–	22

New York and Toronto at 12:30.

Fleet to buy Shawmut for $3.4bn

New England group tempts Providence rival to create one of the 10 largest US banks, with assets of $81bn

By Richard Waters in New York

Fleet Financial, the US banking group based in Providence, Rhode Island, has announced a $3.4bn all-share acquisition which would catapult it into the ranks of the country's 10 biggest commercial banks.

The planned takeover of Shawmut National, another New England bank, based in Hartford, Connecticut, would be one of the biggest regional banking acquisitions ever mounted in the US, creating an entity with assets of $81bn. Fleet said it would move its headquarters to Boston after the takeover.

Fleet said it would have the sixth biggest consumer banking business after the acquisition and the third largest portfolio of loans to small businesses. It would also become the second-biggest mortgage banking company.

The move follows a period of calm in takeovers among US banks, reflecting the weakness in bank stocks since the turn in US interest rates a year ago. Faced with lower valuations on their own shares, most acquisitive banks have preferred to stay out of the takeover market.

The deal also signals the strength of the recovery of the New England banking industry from a crisis in the early 1990s. Both Fleet and Shawmut were brought low by a recession which cost the local economy 650,000 jobs – 10 per cent of the total – and a subsequent collapse in the property market.

Although New England's economic recovery began in 1992, along with that of the nation as a whole, the region has lagged behind the rest of the US, regaining only some one third of the jobs it lost, according to Ms Katharine Bradbury, an economist at the Federal Reserve Bank of Boston.

That weakness raised expectations that strong local banks such as Fleet would choose to grow through acquisition elsewhere in the US rather than mount big takeovers locally. However, by acquiring a bank with operations overlapping many of its own, Fleet said it would be able to cut about $400m a year from annual costs, equivalent to some 40 per cent of Shawmut's total non-interest costs. This will mean up to 3,000 job losses, or 10 per cent of the combined banks' total, it added.

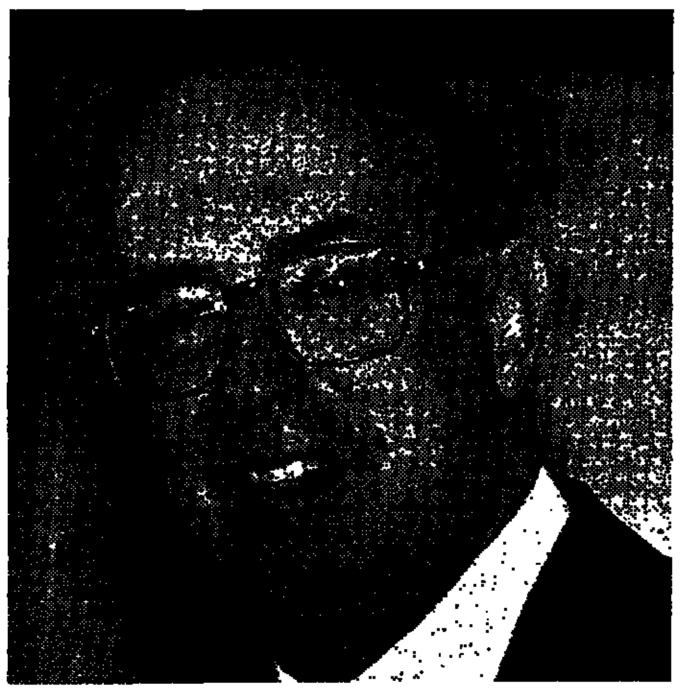
Fleet's shares dropped $2⅝ during the morning to $31⅛, on fears that the deal would dilute its earnings. That put the value of its offer for each Shawmut share at $27¾, well above the $20½ at which they closed at the end of last week. Shawmut's stock rose $5 during morning trading.

The lending practices of both banks have come under regulatory scrutiny in the past 18 months, with a Shawmut acquisition last year blocked over concerns about its compliance with the US Community Reinvestment Act. Neither is believed to be the subject of regulatory action at present. Fleet said it expected to sell some businesses to comply with competition concerns and to close some overlapping operations, leaving it with about 900 branches. The rationalisation process will lead to a restructuring charge of up to $400m.

Lex, Page 20;
Background, Page 22

UK bank considers expansion of investment banking through takeovers in US or elsewhere

NatWest profits climb 61% as bad debts fall



Trevor Humphries

Laughing all the way to the bank: NatWest's Lord Alexander

By John Gapper, Banking Editor, in London

National Westminster Bank may expand its investment banking operations through acquisitions in the US or elsewhere, the UK bank said yesterday as it disclosed a 4.6 per cent rise in expenses, and flat operating income.

Its shares closed 10p lower at 483p as the market focused on the short-term costs of its strategy of spending money on private and investment banking which it believes will increase long-term income.

NatWest announced a 61 per cent rise in pre-tax profits to £1.59bn ($2.5bn) in the year to December 31, compared with £989m in 1993. This was largely due to a 51 per cent fall in bad and doubtful debt provisions from £1.26bn to £616m.

Lord Alexander, NatWest's chairman, also defended himself against criticism from Mr Gordon Brown, Labour's shadow chancellor, about a one-year contract that will give him a performance-related bonus of about £100,000 for 1994.

The bank, which announced a new corporate identity of NatWest Group, declared a final dividend of 14.3p, making a 17 per cent increase to 21.6p in the total dividend. Earnings per share rose by 80 per cent to 63p from 35p.

Equity returns broke a 17.5 per cent target to reach 18.7 per cent, compared with 10.8 per cent last time. Lord Alexander said, "after some most difficult years, we are once again delivering a proper return to our shareholders".

Mr Derek Wanless, chief executive, said that expansion in NatWest Markets, its investment banking arm, was being achieved "by vigorous organic growth, which will be supplemented, if justifiable, by in-fill acquisitions".

Mr Wanless said directors had considered acquisitions in markets such as the US. "We cannot make sense of the numbers at this stage, but the more we build up, the greater the chance that something will emerge," he said.

Mr Martin Owen, chief executive of NatWest Markets, which reported a fall in pre-tax profits from £453m to £359m, but avoided losses seen at other investment banks, said it would avoid acquiring too large an operation.

Mr Owen said NatWest Markets already had "a good footprint" in the US, mainly in secondary capital markets. But it wanted to expand equity research and sales operations in some sectors, and might also consider US acquisitions.

Expenses rose from £4.58bn to £4.79bn, with the ratio of costs to income rising from 65.6 per cent to 69.2 per cent in spite of a net fall of 4,000 employees. It said the ratio should fall by the end of this year.

Costs were increased by a £30m provision against having to pay compensation for mis-selling personal pensions. They were also inflated by a rise from £50m to £82m in the amount paid to staff under a profit-sharing scheme.

Income fell marginally from £6.99bn to £6.94bn. Although net interest income in its UK branch banking business fell by 3 per cent, it rose in the second half as fixed rate lending to small and medium-sized businesses grew.

Pre-tax profits in US retail operations rose from £184m to £239m, while those in international businesses grew from £172m to £403m. The latter included a fall in profits at Coutts & Co, its private bank, from £79m to £68m.

Assets weighted by risk were flat at £103.4bn, and its tier 1 ratio of core capital to risk-weighted assets rose from 5.7 per cent to 6.4 per cent, with a 12 per cent rise in shareholders funds from £5.73bn to £6.42bn.

Lex, Page 20

Gerard Baker explains why local success is only relative

Sanwa Bank a healthy fish in its home pond

When Sumitomo Bank announced earlier this month its intention to declare the first loss by a Japanese bank in modern times, the move was widely hailed as a revolution in Japan's ossified financial sector. The decision to write off a substantial chunk of its bad loans was seen as the most aggressive move yet by any bank in dealing with the country's continuing bad debt crisis.

But at another of Japan's leading banks, the news was greeted sniffily. Officials at Sanwa Bank loftily pointed out that they at least would not be following suit, since their problem loans were already much lower.

Sanwa had a point. For while Sumitomo's move grabbed the limelight, it also drew investors' attention to the few banks with real strength – most prominent among them, Sanwa itself.

In Japan's notoriously homogenous banking sector, Sanwa has always been more individual. Like Sumitomo, it is based in Osaka, a place renowned for a brasher approach to business than the slightly more civilised, old-school Tokyo. It also differs from most big banks in not being at the centre of a *keiretsu*, the industrial groupings that dominate Japan's economy.

However, in common with all the country's banks it has seen its profits fall sharply in the last few years as it has moved gradually to eliminate the bad debt burden.

But in a country where problem loans are as numerous as cherry trees, Sanwa's relative asset quality is impressive. At September 30, Sanwa's disclosed problem loans were 2.4 per cent of total loans, the third lowest among the leading banks. If estimates for undisclosed loans are added, the bank rises to second in the league table. Sanwa has consistently recorded the highest net profits over the last five years and is forecast to do so again this year.

The much stronger quality of Sanwa's assets is rooted in the bank's lending policies in the pre-bubble years. "Sanwa has always lent to the higher quality end of the market, so in the days of rapid expansion of property prices in the 1980s, it was not so drawn as other banks to lend to the risky property sector," according to Mr David Threadgold, banking analyst at Barclays de Zoete Wedd in Tokyo.

Sanwa was not immune to the attractions of booming sectors in the 1980s, but its exposure was much lower. Of the leading banks, only Mitsubishi recorded a smaller increase in loans to property, construction and financial companies between 1985 and 1991.

Sanwa's total exposure to the problem sectors of just 24.3 per cent of its total loans in March 1993 was second lowest of all leading banks.

It claims its success in keeping down the level of problem loans lies in closer scrutiny of lending. "We have always placed a much higher emphasis on credit control," says Mr Shinichi Taniguchi, deputy general manager of corporate planning. "That enabled us to detect much earlier the trends of too-rapid growth during the bubble economy, and we strengthened control further when we saw the dangers."

BETTER THAN MOST

	Sanwa Bank	City banks' average
Problem loans as % of total	2.4	3.3
Problem sector loans as % of total	24.0	28.0
Average annual % growth in operating profits (1989-93)	25.9	14.4
Low cost deposits as % of total	29.7	24.3
BIS capital ratio	9.9	9.7

Source: Salomon Bros

Ms Alicia Ogawa, banking analyst at Salomon brothers, argues that the bank's asset quality strength reflects its more focused approach. "Sanwa has never spread itself all over the banking map like the other big companies," she says. "That has helped it avoid the more dangerous areas".

Aside from asset quality, Sanwa's principal strength is its core profitability. Mr Mark Faulkner, financial sector analyst at S.G. Warburg in Tokyo, estimates that on all leading indicators, Sanwa's profitability has been higher than its main competitors. In the six months to September 1994, its gross business profit margin on domestic operations was 1.76 per cent, the highest among leading city banks.

Sanwa's selling, general and administrative costs are about 10 per cent of operating revenues, against an industry average of 13 per cent. But income from lending is also higher. The bank has the highest average loan rate of all banks, thanks largely to a smaller dependence than others on lending to large corporations, where loan revenues are much smaller. Only 18 per cent of the bank's loans are to larger customers, against an average of nearly 24 per cent.

Sanwa is also unique in setting targets for return on equity and return on assets for each of the main departments. "The identification of strategies and targets for the main profits centre has been a unique Sanwa approach," according to Mr Taniguchi. "It enables us to understand better the detailed performance of the company."

These advantages probably stem from what makes Sanwa different: the fact it does not belong to a *keiretsu*. That forces it to be more aggressive in seeking out quality customers, rather than relying on the variable quality of related companies in a *keiretsu*. But it also forces Sanwa to be more attentive to its shareholders, who are tied less by reasons of corporate loyalty than by a desire to make money.

Sanwa also has a strong overseas presence. As demand for domestic lending remains flat in a weak economy and as bond issuance increasingly replaces lending, banks will depend more on foreign growth. Here Sanwa hopes its already much higher proportion of overall lending made overseas will give it a competitive advantage.

But all these strengths are simply relative to Japan's banking sector. Sanwa's problem loans are still high by international standards, and its profitability low. And it faces another challenge at home which might weaken its competitiveness.

The principal risk lies in its affiliated financial institutions. Toyo Trust, a troubled trust bank of which Sanwa is the largest shareholder, represents a substantial headache. It has one of the largest proportions of non-performing loans of any bank in Japan, and shows little sign of improvement. If it deteriorates further, Sanwa could find itself saddled with an expensive bail-out.

That Sanwa is among the strongest of Japanese banks is not in doubt. It enjoys a profound advantage over its rivals in terms of asset quality, profitability, and share of the main growth markets. But it is not yet clear whether it can convert domestic pre-eminence into a genuinely powerful international role. Competing in an increasingly global market will prove a much tougher challenge.

Mitsubishi Bank to help two troubled affiliates, Page 25

PolyGram attacks Chinese piracy

By David Blackwell in London

Musical piracy in China came under attack yesterday from Mr Alain Levy, president and chief executive of PolyGram, the London-based music and film group which is 75 per cent owned by Philips of the Netherlands.

Describing piracy as "a serious problem" which had held the group back in the Far East, he urged Europe to follow the US in taking a tough line. "There is an organisation in Brussels called the European Commission. I'm waiting for a strong statement that there is such a thing as intellectual property and that they are going to do something to protect it," Mr Levy said.

PolyGram said, however, that good market conditions for the music business in North America and the UK had produced a strong second half, helping the group to lift both profits and sales by 16 per cent last year.

The group reported pre-tax profits up from Fl 927m to Fl 1.08bn ($620m) for calendar 1994, while sales increased from Fl 7.4bn to Fl 8.6bn. Net income after taxes and minority interest grew from Fl 614m to Fl 738m.

In spite of the push into films and the success of the film, Four Weddings and a Funeral, which has grossed $250m, the music division remained the driving force of the group. Operating profits were Fl 1.1bn on total sales of Fl 7.6bn.

While overall group operating margins eased from 12.6 per cent to 12.4 per cent, operating margins for the music side were maintained at 14.6 per cent – close to a target 15 per cent.

Of the 29 PolyGram albums that notched up sales of more than 1m copies last year, only five were items from the back catalogue. In the popular music, sector, which accounts for 68 per cent of music sales, Bon Jovi and Boyz II Men each sold 8m albums. This year the group expects new album releases by Elton John and Stevie Wonder to fuel further growth.

Classical music, accounting for 11 per cent of total sales, saw revenue rise by 3 per cent to Fl 944m. Three Tenors was the top seller, adding a further 1m units and taking total sales to 11m audio and video units.

In spite of Four Weddings, the film division lost Fl 42m on sales of Fl 982m.

Earnings per share rose from Fl 3.56 to Fl 4.10. A dividend of Fl 0.85 (Fl 0.75) is proposed.

Svenska Handelsbanken soars to SKr4bn for year

By Christopher Brown-Humes in Stockholm

Svenska Handelsbanken, one of Sweden's leading commercial banks, yesterday reported the second best result in its history, just two years after the severe loan-loss crisis which threatened to cripple the country's banking system.

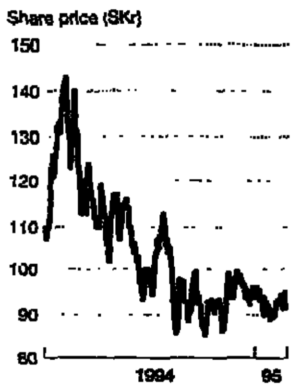
Operating profits jumped to SKr4.1bn ($562m) for 1994, from a restated SKr724m in 1993.

The improvement stemmed from a SKr4bn reduction in credit losses, which helped to offset the impact on underlying business of narrower margins and reduced lending.

Mr Arne Martensson, chief executive, said the outlook for 1995 was encouraging, with credit losses set to fall further and loan demand reviving.

Handelsbanken came through Sweden's financial crisis in better shape than its competitors, and it has been able to build market share, both in Sweden and the other Nordic countries, from a position of strength.

Svenska Handelsbanken



Source: Datastream

The bank said there was no need for it to follow the example of its arch-rival Skandinaviska Enskilda Banken, which last week wrote down the value of its distressed property holdings by SKr4.3bn and plunged to a SKr701m operating loss.

"We feel we have followed prudent rules when it comes to evaluating our property," said Mr Martensson.

Like SE Banken, Handelsbanken took over a large number of properties as collateral for failed loans during the country's banking crisis.

It has grouped real estate worth SKr6.9bn in a special unit called Näckebro, which it intends to sell.

The bank's result before credit losses was down 8 per cent at SKr6.91bn from SKr7.52bn, partly because of lower gains from securities trading and a 5 per cent jump in costs.

Net interest income was 3 per cent higher at SKr9.27bn. Although the comparison is distorted by changed accounting treatment, the bank said that Swedish krona lending volumes had recovered in the second half and at the end of the year stood 6 per cent higher than at the beginning.

Credit losses fell 59 per cent to SKr2.8bn, equal to 0.96 per cent of total lending, while problem loans fell 42 per cent to SKr4.76bn.

The bank proposes to lift its dividend by 50 per cent to SKr3 per share.

Credit Suisse close to Budapest Bank deal

By Virginia Marsh in Budapest

Credit Suisse, the main banking arm of CS Holding, the Swiss financial services group, is close to clinching a deal to acquire a majority stake in Budapest Bank, a leading state-owned Hungarian commercial bank, Mr Lajos Bokros, Budapest Bank president, said yesterday.

The deal, which would be Credit Suisse's first foreign acquisition of a commercial bank, is expected to be the biggest investment in bank privatisation in the former Soviet bloc by a western bank.

It will also be the first western acquisition of a majority stake in a leading east European bank.

Mr Bokros, who is due to leave the bank at the end of the month to become Hungary's finance minister, said Credit Suisse was negotiating to buy a stake of about 63 per cent in Budapest Bank, one of the country's top four commercial banks. The Swiss company is expected to finish due diligence procedures next week.

Until now, it has not been clear whether the state was willing to sell a majority stake in the bank to Credit Suisse. The bank is the second large Hungarian bank to be privatised, following the sale of a 25 per cent stake in the Magyar Kulkereskedelmi Bank to Germany's Bayerische Landesbank last summer.

Mr Bokros said the two sides still had to agree on the purchase price. Credit Suisse, which emerged as preferred bidder for the bank in December after an international tender, is expected to pay about $100m for a majority stake, banking sources said. ING Bank and Allied Irish Banks also submitted bids for Budapest Bank.

Investor confidence in Hungary has been shaken by the last-minute cancellation by the cabinet last month of another large privatisation deal – the sale of Hungarhotels to a US investor – and the subsequent departures of the country's reformist privatisation chief and finance minister.

US banks send survival signal

Richard Waters on Fleet Financial's acquisition of Shawmut

The banks with the best track record in the takeover market will be the survivors. That is one of the clearest messages from the biggest banking acquisition yet in New England, which will see Rhode Island-based Fleet Financial swallow up Shawmut National, a Connecticut neighbour, in a deal valued yesterday at $3.4bn.

Just seven years ago, Fleet and Shawmut were relative minnows in the US banking pond, their assets amounting to $12bn and $10bn respectively.

Yet their young managements harboured big aspirations. Both doubled in size through mergers in 1988 – Fleet with Norstar and Shawmut with Hartford National – and each has been bent on a path of absorbing small, locally-based rivals at a frenzied pace over the past two years.

That is where the two institutions' paths diverge. Although each bank was hit hard by the New England property collapse in 1990, the better-capitalised Fleet rebounded far quicker.

As early as 1991 – thanks in part to an injection of capital from the buy-out firm Kohlberg Kravis Roberts – Fleet was able to profit from the shambles in the local banking industry by picking up the remains of Bank of New England, which had succumbed to the property collapse.

The following year, while still absorbing that bank's $13bn of assets, Fleet found time for another seven acquisitions involving $2.3bn in assets. Last year, it paid $420m for NBB, owner of Massachusetts' largest savings bank.

Under Mr Terry Murray, chairman since 1982 and still only 55, the takeover spree has won Fleet a considerable following on Wall Street.

Mr Murray's management team proved itself adept at wringing the costs out of acquisitions. In deals involving banks in markets where Fleet was already represented, he set a target of cutting 60 per cent of non-interest costs – a figure that the bank says has usually been achieved.

Fleet's ratio of costs to income remains higher than most regional banking rivals, reflecting the continuing string of takeovers. But the stockmarket valuation accorded the bank reflects a confidence in its ability to keep making the acquisitions pay for themselves.

A year ago, Mr Murray injected extra urgency into the process with an announcement that he planned to cut more than a quarter of the bank's 21,000 staff by the end of 1995.

Shawmut, meanwhile, has proved itself less effective in the race to consolidate among US regional banks, and looks to have paid the price.

Harder-hit than Fleet by the New England recession, Shawmut did not recover its profitability until the end of 1991, and was not able to return to the takeover market until 1993.

Its acquisitions since then have won fewer plaudits than those of Fleet.

Though made at prices which were generally in line with other US bank takeovers – at around 1.8 times book value – Shawmut has failed to act as aggressively in cutting costs.

As a result, its own shares have slumped more than other US banks in recent months, touching just 1.2 times book value.

Its most recent deal – the purchase of Barclays Business Credit, the asset-based lending unit of Barclays Bank, for a premium of $[illegible]m over book value – failed to lift this gloom.

The higher-rated Fleet, whose shares have been trading on a multiple of closer to 1.4 times book value, has been seen as a possible buyer since last summer.

Both Mr Murray and Mr Joel Alvord, chairman of Shawmut, have talked of pulling off mergers with equals in recent months – transactions that would involve neither side paying a premium.

In the event, though, Fleet was forced to offer a premium of more than one third to persuade Mr Alvord and his management to cede control.

At around 1.7 times book value at yesterday's market price, though, the deal does not appear to involve Fleet paying over the odds - provided it can keep its cost-cutting machine running smoothly.

Christiania Bank defiant over dividend despite record profits

By Karen Fossli in Oslo

Christiania Bank, Norway's second largest commercial bank, yesterday reported record profits for full-year 1994.

However, the bank said it would not meet the government's demand for a dividend payout ratio of 50 per cent of net profits.

Christiania, in which the state holds 69 per cent, hoisted pre-tax profits last year to NKr1.47bn ($227m) from NKr862m in 1993. It was helped by a sharp reduction in loan losses and a net reversal of NKr300m in previous loan loss provisions.

However, the bank said it would propose a dividend of NKr0.90 a share, representing about 34 per cent of net profits, after passing the payout for five consecutive years.

It added that the dividend payment took into account the fact that the bank wanted to maintain its financial strength, at least at the same level as at the end of 1993, said Mr Borger Lenth, managing director.

The dividend row between the government and the banks intensified last week when Den norske Bank, Norway's biggest bank, also defied state demands and proposed a dividend equivalent to 30 per cent of net profits.

This was sharply criticised by the state-backed Bank Investment Fund, which administers the state's bank shareholdings.

The fund, which also administers the state's holding in Christiania, maintained that Christiana could have both strengthened its finances and met the state's 50 per cent dividend demand.

The row could end with the boards and the executive management of both banks being dismissed if the state refuses to back down.

Christiania's net interest income rose to NKr3.11bn from NKr3.06bn as other operating income – gains on shares, bonds and foreign exchange – fell to NKr1.54bn from NKr2.27bn. It said that 1993 had been an extraordinarily good year for securities and foreign exchange.

Securities gains were cut to NKr183m from NKr731m as foreign exchange gains dropped to NKr182m from NKr286.

However, operating profit, before loan losses, plunged by NKr724m to NKr1.59bn.

Christiania's core capital ratio was 5.9 per cent of risk-weighted assets, unchanged from 1993, but in the short term it aims to lift it to 6 per cent and in the longer term to between 7 and 8 per cent, the average for European banks.

Study shows weakness in corporate accounts

By Norma Cohen, Investments Correspondent

International corporate accounts too often fail to include information institutional shareholders want most.

Details of whether objectives are being met, and information on the profitability of business segments are often missing, according to a study of the annual corporate accounts of 170 large international companies.

It found that fewer than half the 72 types of information considered essential by investors was included in annual reports. California-based Shelley Taylor Associates, a management consulting firm, interviewed 50 of the largest institutional investors in the UK and the US for the study.

Shelley Taylor, which has been producing the survey annually since 1992, said British and American companies tied for fourth place out of companies from eight countries in terms of the quality of information provided. Swedish, Canadian and French companies tell more.

The report noted that Spanish and Italian companies were slow or reluctant to send their reports and needed constant prodding, while obtaining annual reports from French and German companies was also difficult.

For US investors, segmental analysis by business line was considered very important by 92 per cent, while only 76 per cent of UK investors believed it to be very important.

Full Disclosure 1994, Shelley Taylor and Associates, Queens House, 1 Leicester Place, London WC2H 7BP. £1,500.

Daiwa Europe cuts staff 10% in shake-up

By Conner Middelmann in London

Daiwa Europe, the London-based subsidiary of Japanese broker Daiwa Securities, has cut its staff of some 440 employees by about 10 per cent after a review and restructuring of its European operations.

The job cuts, most of which have hit the London office, range across all parts of the company and do not signal a retrenchment in any particular area, Daiwa said.

"The restructuring is focused on the development and enhancement of the core businesses, which are the fixed income and equity markets", Daiwa said.

In the fixed-income area, Daiwa plans to strengthen its non-yen denominated new issue and secondary business. In equities, it intends to penetrate further the new and emerging markets of Asia and eastern Europe. It also said it would change its reporting structure to facilitate a centralisation of the management of its product lines.

Japanese securities houses have come under pressure from continuing weakness in world markets. Trading volumes on the Japanese stock market have declined substantially in the last four years.

Nomura Securities, Japan's largest broker, recently announced an unprecedented group loss for the first 10 months of the current financial year. Its London subsidiary has shed some 50 jobs in the last six months, including 16 UK equity sales staff, traders and analysts. Yamaichi International has also shed about 30 of its London staff in recent months.

THE KOREA-EUROPE FUND LIMITED

INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the audited results for the six months ended 31 December 1994.

	At 31 December 1994 US$'000	At 31 December 1993 US$'000
Assets applicable to ordinary capital	309,164	301,272
Net asset value per share	$8.80	$7.02
	Six Months Ended 31 December 1994 US$'000	Six Months Ended 31 December 1993 US$'000
Investment Income:		
Dividends	91	107
Bond Interest	401	-
	492	107
Deposit interest	46	15
Total Revenue	538	122
Expenses and interest	1,703	1,034
Deficit before taxation	(1,165)	(912)
Taxation on the revenue	46	17
Deficit after taxation	(1,211)	(929)
Deficit per share	3.45 cents	3.24 cents

The majority of dividend payments by Korean companies are made in the first six months of the calendar year; as a result, the greater part of the Company's revenue will be received in the final six months of the current accounting period and there is a deficit of revenue after taxation for the six months ended 31 December 1994.

The Interim Report will be mailed to registered shareholders at their registered addresses on 6 March 1995. Copies of the Interim Report will be made available from 6 March 1995 at the offices of Schroder Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4EI.

Enquiries:
Schroder Investment Management Limited
John P. Bainbridge (0171 382 6742)

JP Morgan

November 1994

Republic of Argentina

U.S. $500,000,000

Eurodollar Loan Facility

Co-Arrangers

Chemical Bank
Syndicate and Administrative Agent

Credit Suisse
Documentation Agent

Banco General de Negocios S.A.
Advisor

Co-Lead Managers

Bank of Boston
ING (U.S.) Capital Corporation
Union Bank of Switzerland
Dresdner Bank Luxembourg S.A.
Santander Investment

Managers

Banco Rio de la Plata S.A.
Banco Roberts S.A.
Banco General de Negocios S.A.
Banco de Credito Argentina S.A.
Banco Frances del Rio de la Plata S.A.
Banco Quilmes S.A.

CHEMICAL

CREDIT SUISSE

GARTMORE PHOENIX FUND

Announcement to the unitholders

Acting as Management Company of the GARTMORE PHOENIX FUND, the Board of Directors has decided on February 15, 1995 to pay a dividend of 15 cents per unit to all unitholders of the GARTMORE PHOENIX FUND.

The units will go ex-dividend on February 20, 1995 and the payment of the dividend will be carried out on February 24, 1995.

The Board of Directors

Maple Mortgage Securities No.1 PLC

£70,000,000
Class A1 Notes
Multi-Class
Mortgage Backed Floating Rate Notes due 2030

Notice is hereby given that there will be a principal repayment of £2,785.42 per £100,000 Note pursuant to Clauses 5(b) of the Notes on the interest payment date 28th February 1995. The principal amount outstanding on 1st March 1995 will therefore be £97,214.58 per Note.

NatWest Markets

Notice of Partial Redemption

EUROPEAN COAL AND STEEL COMMUNITY

ECU 30,000,000

7¾% 86/92-96

Notice is hereby given that pursuant to paragraph "Redemption" of the Terms and Conditions of the Bonds the following Bonds in the principal amount of ECU 6,000,000 have been drawn by lot and are due for redemption at 100% plus accrued interests on 10th April, 1995:

1240 – 1336	5020 – 5146	6119 – 6176	6821 – 6915	7474 – 7476
1365 – 1367	5191 – 5198	6187 – 6201	6920 – 6954	7480 – 7504
2627 – 2630	5202 – 5287	6203 – 6218	6965 – 6966	7507 – 7509
2642 – 2678	5299 – 5353	6234 – 6310	6973 – 6983	7521 – 7548
2726 – 2743	5370 – 5371	6317 – 6323	7006 – 7063	7552 – 7584
2745 – 2765	5506 – 5580	6353 – 6374	7074 – 7105	7599 – 7655
2767	5682	6378 – 6393	7116 – 7273	7666 – 7672
2770 – 2814	5696 – 5749	6402 – 6423	7280	7674 – 7714
2834 – 2860	5758 – 5781	6445 – 6570	7286 – 7330	7719 – 7725
2865 – 2904	5784 – 5806	6583 – 6631	7332 – 7338	7740 – 7751
2912 – 2923	5825 – 5827	6636 – 6638	7359 – 7365	9093 – 9147
2930 – 2933	5831 – 5869	6643 – 6690	7386 – 7387	9179 – 9367
2938 – 2988	5877 – 5924	6697 – 6736	7392 – 7415	11153 – 11213
4969 – 5006	5975 – 6044	6738 – 6807	7418 – 7425	12709 – 12715
5009 – 5018	6047 – 6117	6809 – 6811	7430 – 7471	15400 – 18716

Interest will cease on the Bonds called for redemption on and after the Redemption Date.

Payment will be made upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to the Redemption Date, at the office of the principal paying agent:

Banque Nationale de Paris (Luxembourg) S.A.
24 Boulevard Royal, L-2952 LUXEMBOURG

The principal amount of the Bonds remaining outstanding after 10th April, 1995 will be ECU 6,000,000.

The Fiscal Agent
Banque Nationale de Paris
(Luxembourg) S.A.

St.George Bank Limited
A.C N. 055 513 070

U.S. $75,000,000

Floating Rate Notes due 2000

Notice is hereby given that for the Interest Period 21st February, 1995 to 22nd May, 1995 the Notes will carry a Rate of Interest of 6.7% per annum. The Interest Amounts payable will be U.S. $167.50 per U.S. $10,000 Note and U.S. $1,675.00 per U.S. $100,000 Note. The Interest Payment Date will be 22nd May, 1995.

Bankers Trust Company, London — Agent Bank

C&G
Cheltenham&Gloucester Building Society

£175,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 17th May, 1995 has been fixed at 6.95469% per annum. The interest accruing for such three month period will be £169.58 per £10,000 Bearer Note, and £1,695.80 per £100,000 Bearer Note, on 17th May, 1995 against presentation of Coupon No. 12.

Union Bank of Switzerland
London Branch Agent Bank
17th February, 1995

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42a Buckingham Palace Rd, London SW1W 0RE

TOSHOKU FINANCE NETHERLANDS B.V.

US $15,000,000
Floating Rate Notes 1997

Interest Period	22nd February, 1995 to 22nd August, 1995
Interest Rate	7.26563 per annum
Interest Payment due 22nd August, 1995 per US $10,000 Note	US $366.30

Nippon Credit International Limited
London
Agent Bank
22nd February, 1995

HIGHLIGHTS

- Attributable income up 54%
- Significant first contribution from Billiton
- Interim dividend raised by 20% to 6 cents per share
- Market capitalisation increased by 69%

GENCOR

INTERIM PROFIT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 1994

	6 months to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited)	Increase %
R million			
Attributable income	392	254	54,3
Net assets (at valuation)	18 790	14 509	29,5
Market capitalisation	20 090	11 902	68,8
Cents per share			
Attributable income	28,5	18,5	54,1
Cash earnings	14,7	9,6	53,1
Dividends	6,0	5,0	20,0
US$ million			
Attributable income	109	76	43,4
Net assets (at valuation)	4 967	3 470	43,1
Market capitalisation	4 930	2 774	77,7

COMMENTS ON RESULTS

Summary of performance

The period under review was characterised by the substantial maiden contribution from Billiton International as well as improved operating results from all the other group operations. Income earned from operations rose by 50 percent to R422 million, reflecting the long awaited improvement in the commodity markets experienced by group companies, as well as the return on the Billiton assets exceeding that previously earned on the assets realised for its acquisition. Comparative income from operations for the four months to 31 December 1993 included dividends and equity accounted retained income in respect of six months from most of the group operations. Net corporate expenditure increased slightly to R30 million, so that in aggregate, attributable income for the six months amounted to R392 million, 54 percent higher than the period to December 1993 and some 20 percent up on the performance of the six months to June 1994 (excluding the abnormal income in the form of one-off tax adjustments reported in that period). This corresponds to earnings of 28,5 cents per share of which cash earnings comprised 14,7 cents per share. An interim dividend of 6 cents per share has been declared.

Gencor's net asset value at valuation amounted to R18 790 million by the end of December 1994, an increase of 13 percent on the asset value on 30 June 1994. Gencor's shares traded on the JSE at 1 460 cents per share on 30 December 1994, representing a market capitalisation of R20 090 million. During the six months period to December 1994 the Gencor share price strengthened by 39 percent, outperforming the JSE all share index by 28 percent and the mining house index by 25 percent.

Operational review

The most significant feature of the six months' results is the contribution made by the Billiton group in the first reporting period after its acquisition. Billiton, including Richards Bay Minerals, reported attributable income of US$52 million for the six months to December 1994. Turnover of the Billiton group, including the group's marketing activities but excluding the turnover of associates RBM, Cerro Matosa, Sao Bento and Valesul, and the investment in MRN, amounted to US$1 074 million. Of this turnover, some 33 percent represents sales of commodities produced by group subsidiaries and joint ventures, with the balance reflecting third party trading. Profits from mineral and metal sales, after depreciation, before interest and taxation, amounted to US$104 million. These derived mainly from the aluminium and alumina operations with important contributions from the copper and zinc operation in Canada and from the group's metal and mineral marketing and brokerage. No contribution is reported from the Aughinish refinery or Boké mine in Guinea as their acquisition is still subject to outstanding waivers of pre-emption, exercisable before the end of the financial year. Depreciation is calculated on the value of the fixed assets implied by the overall acquisition price and their estimated future economic lives. Associated companies, including RBM, contributed a net US$20 million to earnings. (RBM achieved a further improvement in operating income for the six months to 31 December 1994.) The Billiton group's total debt, net of cash, on 31 December, excluding the convertible bonds, amounted to US$470 million. Net financing charges for the period totalled US$25 million. After allowing for a potential dilution of 22,6 percent in Gencor's holding on the possible conversion of the bonds issued to Shell, income attributable to Gencor for the period amounted to R142 million. Additional information on Billiton's results is provided elsewhere in this announcement.

During the second half of the financial year Billiton will experience higher financing charges as the normal interest arrangements on the acquisition debt will apply over the full period. When the Billiton acquisition was announced it was indicated that the refinancing of the debt package was an important objective. The recent strength in the aluminium market and Billiton's satisfactory interim results have created the opportunity to refinance sooner than initially envisaged, and Gencor/Billiton has received an underwritten offer on terms significantly more favourable than the current financial package. This offer and other options are currently being evaluated.

Income before tax from Billiton's operations would have been US$27 million higher if the group had not had in place at the effective date of acquisition forward sales positions that fell due in the six months under review. The influence of forward sales positions, which were in place on the effective date, will decline over the coming twelve months.

Samancor achieved a further improvement in operating results for the six months ended 31 December 1994. Income before abnormal items amounted to R150 million, an increase of 35 percent compared to the corresponding period of the previous financial year. This was largely due to an improvement in sales volumes, a more beneficial exchange rate and most cost increases being held well below the inflation rate. Average sales prices achieved for the period under review were generally lower than the corresponding period of the previous financial year. After taking into account abnormal profits of R53,9 million in the previous financial year, attributable income decreased by 9 percent and Samancor's total contribution to Gencor's earnings decreased by 6 percent.

Gold output at **Gengold** declined by 2 634 kilograms to 31 449 kilograms compared to the corresponding six months period in 1993. The average grade recovered from underground ore declined marginally to 6,6 gram per ton while gold production costs increased by 16,7 percent to R32 815 per kilogram. These negative developments were offset by a 16 percent increase in the average gold price received of R44 289 per kilogram. As a result, Gengold's earnings for the six months under review were 10 percent up at R171,3 million. Six months fee income compared to the previous four months, combined with the change in accounting policy on recognition of dividend income implemented during the second half of the 1993/94 financial year, further boosted Gengold's total contribution to Gencor's earnings to R78 million, 56 percent up on the earnings reported for the period to December 1993.

A net increase in dollar revenues per ounce of platinum sold and a weaker rand/dollar exchange rate, offset partially by lower sales volumes, resulted in a 6 percent increase in **Implats'** turnover for the six months to December 1994. While the platinum and palladium markets remained steady, the nickel price surged upwards, but the rhodium market slipped by a further US$100 per ounce. Attributable income for the period increased by 54 percent to R128 million compared to the six months to December 1993 as a result of successful cost containment. After allowing for capital expenditure on new capacity related to the completion of the metallurgical plant and 14 Shaft, which more than doubled during the review period, Implats' total contribution to Gencor's earnings at R52 million was 40 percent higher than the corresponding period in 1993.

The period under review saw the successful merger of the operations of Trans-Natal and Rand Coal, to form the **Ingwe Coal Corporation** with effect from 1 October 1994. Gencor retained its direct holding in Trans-Natal, although diluted to approximately 43 percent, with Trans-Natal obtaining a 51 percent controlling interest in Ingwe, giving Gencor an effective 22 percent holding in the new coal group. The first results of Ingwe were adversely affected by two derailments on the Richards Bay rail link during October 1994 which resulted in the postponement in shipments and consequently lower than anticipated export sales. Notwithstanding the effect of the derailments, sales tonnages increased by almost 14 percent compared to the six months to December 1993 and, together with an increase in sales prices achieved, resulted in an increase of 32 percent to R78 million in income before extraordinary items. The new coal group's total contribution to Gencor for the period, at R42 million, was 50 percent up on the coal contribution for the period to December 1993.

The contribution from **Alusaf** doubled to R8 million compared to the corresponding period in 1993, reflecting the higher aluminium price levels achieved during the current review period. **Kelgran's** interim results for the six months to August 1994 showed a 30 percent improvement in earnings, mainly the result of an increase in sales volumes. Kelgran has changed its year-end from February to June and its results for the ten months to June will therefore be accounted for in Gencor's results for the next six months.

The increase of 143 percent in Net income from investments is mainly the effect of the six months versus four months reporting period as well as a reduction in expenditure at the corporate level. Financing cost incurred doubled from that reported for the four months to December 1993. The increase reflects the longer accounting period as well as an increase in corporate Gencor's debt level during the period to fund its capital commitments. At the end of December 1994 shares held in Gencor's trading portfolio and available to be realised to offset the increased debt were valued at more than R700 million. Exploration and projects costs increased by some 23 percent based on a comparable reporting period.

Oryx

On 29 November 1994, Gengold announced that current activities at Oryx mine will be concentrated on reef development to establish certainty on the size and grade of the ore body within acceptable confidence limits to proceed with the refinancing of the project. Gencor has agreed to provide the necessary funds at R12 million per month to achieve the required additional reef development by December 1995. Negotiations with the bankers of Oryx Gold Holdings on the rescheduling and refinancing of their loans to the project are continuing. Given the project's uncertainty, adequate provisions exist or have been made to reduce Gencor's net exposure to Oryx to acceptable levels.

Gencor's balance sheet

The Gencor balance sheet remains strong with total investments valued at more than R19 billion and only limited debt at the corporate level. The debt level increased somewhat during the review period as cash resources were depleted in funding the group's capital commitments. The realisation of investments held in a trading portfolio as well as certain other non-core investment holdings should reduce the debt to lower levels by the end of the financial year. It remains Gencor's general policy of not providing guarantees in respect of the financial commitments of group operations. In accordance with this policy none of the loan funding raised on the acquisition of the Billiton assets is with any recourse to Gencor. (On a pro forma consolidation accounting basis total long term group debt on 31 December 1994 would amount to R2,9 billion in long term loans and a further R1,4 billion in respect of convertible debentures. Gencor's own commitments were however limited to R342 million.)

Major projects

The **Hillside Smelter** project at Alusaf is proceeding on schedule and first metal is expected to be produced by mid 1995 with full production to be achieved by June 1996. Total project expenditure is now forecast to be at least R1,2 billion below budget. The project is expected to start contributing towards Alusaf and Gencor's earnings in the 1995/96 financial year.

The **Columbus Stainless Steel Joint Venture** is proceeding in accordance with budget and is currently some 90 percent complete. First metal from the new facilities is also expected in mid-1995.

Outlook

In our 1994 annual report we stated that we expect the 1995 income at the operating level to reflect a healthy improvement over 1994. This would be partially offset by the expected decline in income from investment as our investment portfolio is realised to fund our major projects, the earnings contribution of which will appear in the next year or two. If the current commodity prices are maintained for the balance of the financial year we should improve on the performance of the current six months in the second half of the financial year.

INTERIM DIVIDEND

An interim dividend No. 138 (coupon No. 147) of 6 cents (1994 – 5 cents) per ordinary share has been declared, payable on 29 March 1995 to shareholders registered on 10 March 1995. The share register will be closed from 13 March to 24 March 1995.

In the case of non-resident holders of shares, tax of 15 percent will be deducted, where applicable.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 17 March 1995, or on the first day thereafter on which a rate of exchange is available.

On behalf of the board

B P Gilbertson
M L Davis

Johannesburg
20 February 1995

GENCOR LIMITED
Registration Number 01/01232/06
Incorporated in the Republic of South Africa

INCOME STATEMENT

R million	6 months to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited) (Note 1)	% Change
Dividend and net fee income	233	154	51,3
Equity accounted retained income	189	128	47,7
Income from operations	422	282	49,6
Net income from investments	68	28	142,9
Financing costs	(24)	(12)	100,0
Exploration and project costs	(59)	(32)	84,4
Income before taxation	407	266	53,0
Taxation	(15)	(12)	25,0
Attributable income	392	254	54,3

INCOME FROM OPERATIONS

	6 months to 31.12.94 Rm	%	4 months to 31.12.93 Rm	%
By Company				
Gengold	78	18	50	18
Implats	52	12	37	13
Ingwe Coal	42	10	28	10
Samancor	80	19	85	30
Billiton International	142	34	0	0
Alusaf	8	2	4	1
Other	20	5	78	28
	422	100	282	100
By Commodity				
Gold	78	19	50	18
Platinum group metals	52	12	37	13
Coal	42	10	28	10
Chrome, manganese and ferroalloys	80	19	85	30
Titanium mineral sands	59	14	60	21
Aluminium related commodities	52	12	4	1
Nickel	14	3	0	0
Other	45	11	18	7
	422	100	282	100

BALANCE SHEET

R million	31.12.94 (Unaudited)	31.12.93 (Unaudited)
Capital employed		
Shareholders' interest	7 573	7 026
Long term loans	342	173
Deferred taxation	26	38
	7 941	7 237
Employment of capital		
Investments	7 865	6 410
Valuation	[18 728]	[13 672]
Fixed and other non-current assets	302	237
Net current assets/(liabilities)	(226)	590
Valuation	[128]	[811]
	7 941	7 237

SHAREHOLDERS' INTEREST AT VALUATION

	31.12.94 Rm	%	31.12.93 Rm	%
Gengold	2 301	12	3 216	22
Implats	2 870	16	1 750	12
Ingwe Coal	1 365	7	528	4
Samancor	4 863	26	2 495	17
Billiton International	3 008	16	0	0
Alusaf	1 913	10	888	6
Other	742	4	2 985	21
Operations	17 060	91	11 862	82
Investments and Corporate	1 730	9	2 647	18
Net asset value	18 790	100	14 509	100

Notes

1. *The comparative results for the four months to 31 December 1993 included dividends and equity accounted retained income in respect of the 6 months to 31 December 1993 from most of the group's operating companies.*
2. *Equity accounted retained income is accounted for after taxation.*
3. *Comparative figures used for the period to 31 December 1993 in respect of "Other" in the breakdown (by Company) of Income from Operations and Shareholders' interest at valuation include the valuation of and the income earned in that reporting period from RBM and Sao Bento as well as from those assets (mainly Trans-Atlantic shares) realised to acquire Gencor's holding in Billiton.*
4. *The allocation of Income from Operations by commodity is based on the income attributable to Gencor from each of the operations and, where applicable, assumes an appropriate allocation of interest, overheads and other costs.*

ADDITIONAL INFORMATION ON BILLITON INTERNATIONAL (UNAUDITED)

INCOME STATEMENT FOR THE SIX MONTHS TO 31 DECEMBER 1994

	US$m
Turnover (excluding associates)	1 074
Operating income	122
Depreciation	(18)
Profit on mineral and metal sales	104
Aluminium and related commodities	63
Base and precious metals	41
Corporate costs and exploration	(24)
Profit from operations	80
Net interest paid	(25)
Income before taxation	55
Taxation	(23)
Profit after taxation	32
Income from associates	20
Aluminium and related commodities	6
Base and precious metals	14
Attributable income	52

BALANCE SHEET AS AT 31 DECEMBER 1994

	US$m
Capital employed	
Shareholders' interest	1 177
Convertible bonds	300
Long term loans	397
Deferred taxation	7
	1 881
Employment of capital	
Mining and other fixed assets	995
Investments	777
Net working capital	109
	1 881

SALES STATISTICS

Alumina	
Sales from Billiton production (k tons)	577
Aluminium	
Sales from Billiton production (k tons)	107
Nickel	
Sales from Billiton share of production (m lbs)	11,3

The interim report will be mailed to shareholders. Copies may also be obtained from the London Secretaries: 30 Ely Place, London EC1N 6UA

Strong Odyssey sales lift Honda

By Michiyo Nakamoto in Tokyo

Honda, the Japanese carmaker, came close to doubling its third-quarter consolidated profits on the back of strong sales for a new recreational vehicle launched in the domestic market and continued cost-cutting.

At the pre-tax level, profits for the three months to the end of December soared to Y24.46bn ($253m) from Y12.54bn a year earlier.

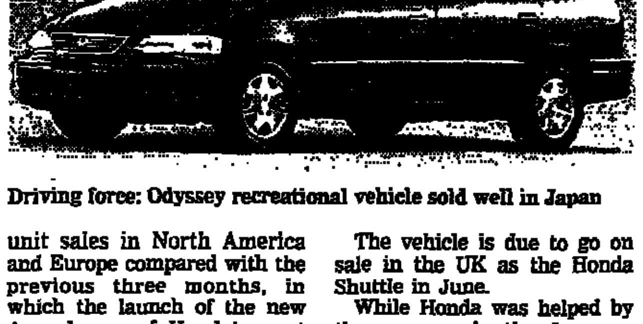
At the net level, earnings rose to Y12.98bn from Y6.76bn previously.

The strong quarter resulted in a rise in pre-tax profits for the nine-month period to Y81.1bn from Y35bn in 1993.

The increase in the third quarter came in spite of a 4.6 per cent fall in revenues to Y904.7bn from Y947.9bn, which Honda attributed to the appreciation of the yen and weaker sales in the North American and European markets.

In the three-month period, the company recorded lower unit sales in North America and Europe compared with the previous three months, in which the launch of the new Accord, one of Honda's most popular models, had triggered strong demand.

The Japanese market appears to have bottomed out, although Honda benefited from the launch of its new recreational vehicle, the Odyssey, which has sold more than twice as many units as initially targeted.



Driving force: Odyssey recreational vehicle sold well in Japan

The vehicle is due to go on sale in the UK as the Honda Shuttle in June.

While Honda was helped by the recovery in the Japanese market, its cost-cutting efforts also continued to make a substantial contribution to the surge in profits.

Cost reductions led to savings of Y17bn at the operating profit level in the three months and Y53.5bn during the nine-month period.

Honda is optimistic about the outlook for all three of its core markets.

It expects the Japanese market to continue its recovery and also forecasts growth in the North American and European markets.

The company hopes to sell 902,000 units in North America, of which 830,000 are expected to be sold in the US.

This represents an increase of 5.2 per cent in US sales, compared with Honda's prediction of 4.9 per cent growth in the overall US market.

Honda is also forecasting aggressive growth in the European market, where unit sales are targeted at 200,000 for the year, representing a 15.5 per cent increase over 1994.

Honda is forecastingthat the overall European market will grow by 4 per cent.

● Reuter adds from Tokyo: Honda said it believed group net profits for the year ending March 31 1995 will exceed the company's November forecast of Y60bn.

Honda had a Y23.70bn group net profit in 1993-94.

Mitsubishi Bank plans further aid for affiliates

By Gerard Baker in Tokyo

Mitsubishi Bank, one of Japan's largest financial institutions, is considering a further package of measures to assist two troubled affiliate companies.

It is expected to record the assistance as a write-off within the current financial year, which ends on March 31.

The bank says it has not decided how much support to provide to the two companies, Diamond Mortgage and Diamond Factors. However, newspaper reports suggest the figure could be as high as Y100bn ($1bn).

Mitsubishi is expected to buy non-performing loans from the two affiliates and sell them on to the Co-operative Credit Purchasing Corporation – an agency set up and funded by the banking industry for the disposal of bad loans – at a much lower price.

The difference between the two figures will appear as a reduction in assets on the bank's balance sheet.

The move is unlikely adversely to affect the company's profits for the current financial year. Analysts expect Mitsubishi to cover the loss by realising a larger gain on its own holdings of equities than previously planned.

Mitsubishi has been extending support to the two companies for several years. The Diamond companies experienced serious asset-quality problems as a result of over-ambitious property-related investments in the late 1980s. In the year to March 1994, the bank wrote off Y87bn. It charged a further Y108bn in the six months to September.

Last October, Mitsubishi added another troubled company to its list of subsidiaries when it purchased a controlling stake in Nippon Trust Bank, an institution with substantial problems also related to the property sector. Mitsubishi recently announced the move was likely to cost it about Y200bn in the write-off of non-performing loans this year.

In spite of the burdens of these related companies, Mitsubishi is one of the stronger Japanese banks, with one of the smallest portfolios of non-performing loans as a proportion of total assets.

Most analysts believe that the bank's actions are an indication of its determination to rid itself as quickly as possible of its affiliates' bad loan problems .

Dangers lurk in freer short-term debt market

Liberalisation of commercial paper issuance in Taiwan will force a shake-out, writes **Laura Tyson**

Taiwan will pass a a milestone in the liberalisation of its financial markets within the next week when the ministry of finance grants a licence – the first in nearly 20 years – allowing a newly-formed bill finance company, Tachung, to issue and deal in short-term debt instruments.

As many as five more licences may be handed out by the end of the year, and more applications are expected in a campaign which will give a big push to the domestic market in commercial paper and bankers' acceptances.

Issuance and trading in commercial paper and bankers' acceptances has shot up over the last two years, following the partial lifting of restrictions in 1992. New central bank figures show commercial paper issues outstanding jumped to T$536bn (US$20.3bn)in 1994 from T$340bn in 1992, making Taiwan's market twice as large as that of the UK.

"Basically, disintermediation – by-passing the middle man – is an international trend which would have taken place much earlier if we had a more liberal environment," said Mr Eli Hong, executive vice-president of Taipei Business Bank, the biggest participant among the banks in terms of daily turnover.

"Soon we will see a whole lot of new players chasing the same business in what is already an over-banked market. These are all textbook developments, but for many players the experience will not be very pleasant."

The shake-out will help companies by giving them access to cheaper short-term funds. However, it is expected to squeeze profit margins in traditional corporate banking and send credit standards lower.

Foreign and government-owned banks are expected to suffer most as market share in important business areas is redistributed.

The bill finance industry is now dominated by three companies – Chung Hsin, Chung Hua and International Bills Finance – founded in 1976. New entrants are expected to fuel growth in the short-term paper market and cut into the lending business of banks.

The ministry of finance first allowed banks to trade money-market bills in 1992, but the more lucrative business of underwriting and endorsing short-term commercial paper has remained the province of the three finance companies. In reforms to take effect in August, banks will be allowed to underwrite and endorse bills as well.

Trading volume in commercial paper rose to T$24,99bn last year from T$17,820bn in 1993. Bankers' acceptances outstanding climbed to T$192bn from T$55.4bn in 1992, according to the central bank.

The arrival of 16 private-sector banks in 1992, following a three-decade ban on new licences, injected new life into a state-dominated banking system fettered by heavy-handed regulations, anachronistic lending practices and poor service. The aggressive new banks have grabbed market share from the old banks, which are run as part of the government bureaucracy, and are keen to enter the bills business.

A shift from loans to short-term marketable securities will affect the structure of the banks' balance sheets, and require more sophisticated financial management than Taiwanese banks are used to.

The anticipated surge in competition in the corporate banking market is likely to force many banks to devote more resources and manpower to consumer banking, until quite recently a severely neglected market. Given the general dearth of quality retail banking services, especially among the government banks, there is room for development in this market, particularly in consumer finance, a senior foreign banker said.

However, increased competition has its dangers as well, particularly in a market such as Taiwan where there is no established credit information or rating system, and where financial disclosure requirements are minimal and accounting standards are lax. Such deficiencies, bankers say, will hamper development of consumer finance, which the ministry of finance is trying to encourage to help soak up underground lending.

Banks and bill finance companies will be forced downmarket in search of business, resulting in a rise in credit risk. Some bankers fear credit standards may be relaxed to attract business. The volume of business will grow, but profit margins will shrink.

This could deal a blow to the banking industry, already suffering from a slump in the property market. Liberalisation of the bill finance market coincides with tighter standards, set to take effect next month, for the calculation of bad debts. Much higher bad loan ratios are expected as a result, bankers say.

Taiwan short-term debt

	Commercial paper outstanding (T$bn)	Bankers' acceptances outstanding (T$bn)
1988	85.8	43.5
1989	134.7	57.0
1990	262.0	65.0
1991	294.5	50.1
1992	340.7	55.4
1993	509.2	141.8
1994	536.4	192.2

Source: Taiwan's Central Bank of China

Higher tax charge hits Ampolex

By Nikki Tait in Sydney

Ampolex, the Australian oil and gas producer, yesterday reported a fall in net profits for the six months to end-December, to A$21.5m (US$15.3m), from A$26.7m a year earlier.

The decline was due to a sharply increased tax charge of A$32.2m, compared with A$25.4m previously, and a A$4.12m abnormal charge after no abnormals a year earlier.

Operating profits before tax and abnormals rose to A$57.8m from A$52.1m while revenue dipped to A$295.6m, against A$298.4m.

Ampolex said the results had been achieved in the face of a 10.9 per cent decline in the crude oil price received by the company – largely because of the appreciation of the Australian dollar.

However, the results also included a A$11.2m unrealised foreign exchange gain – compared with a A$3.9m surplus a year earlier – and lower finance costs of A$6.7m, against A$13m.

Exploration expenditure rose to A$19.7m from A$7.1m. The company said it planned a "renewed commitment" to exploration activity in 1995, and expected to drill at least 60 exploration wells. These would include seven in Papua New Guinea, 13 in Argentina, 15 in the US, and 23 in Australia, mainly in the Carnavon Basin.

Improved commodity prices help advance at Gencor

By Mark Suzman in Cape Town

Gencor, the South African mining house, has reported a rise in attributable earnings to R392m ($110.8m) for the six months to December 31.

A year ago, it reported attributable earnings of R254m for the four months to the end of 1993: included in that figure, however, were dividends and equity-accounted retained income for six months from most of the group's operating companies.

Operating income for the 1994 period was R422m, compared with R282m for the earlier four-month period, as most of the group's companies benefited from improved prices in commodity markets, especially those in base metals. Of total profits, chrome, manganese and ferro-alloys were responsible for 19 per cent, while gold production contributed 18 per cent.

The rise in attributable income was also helped by R68m in income from investments.

Earnings amounted to 28.5 cents a share, of which 14.7 cents were cash earnings, and there was an interim dividend of 6 cents, up 20 per cent on the previous payout.

The group's net asset value grew to R18.79bn during the six months to the end of December.

Overall results were boosted by the first-time inclusion of Billiton International, the minerals company acquired last year from Royal Dutch Shell, which contributed R142m of total income.

Taken as a separate company, Billiton's turnover, excluding associates Richards Bay Minerals, Cerro Matosa, São Bento and Valesul, amounted to $1.07bn for the period.

Operating profits came to $104m, most of which came from aluminium and alumina, although copper and zinc produced by the company's Canadian operations also performed well.

Mr Brian Gilbertson, Gencor executive chairman, said he was particularly pleased with Billiton's performance. "These results vindicate Gencor's decision to acquire Billiton's assets," he said.

Kirin Brewery climbs 23.7%

By William Dawkins in Tokyo

A hot Japanese summer and thirsty customers helped Kirin Brewery, the country's largest beer producer, to turn the corner in 1994 after two years of profits decline.

Kirin, the fourth largest brewer in the world, yesterday reported a 23.7 per cent rise in consolidated recurring profits – before tax and extraordinary items – to Y107.67bn ($1.1bn) in the year to December, exceeding most equity analysts' expectations. That compares with a Y87.06bn profit a year earlier.

Sales rose less sharply than profits, with turnover up 7.9 per cent to Y1,700bn, implying an improvement in margins. Net profits rose 21.6 per cent to Y52.22bn, or Y49.61 a share, up from Y40.78.

Kirin attributed the improvement to a 7 per cent increase in beer sales, which account for 97 per cent of its turnover. The company holds about half of the Japanese beer market with its own brands and Budweiser, the leading US imported beer which Kirin has marketed in Japan since September 1993.

However, Kirin does not expect to repeat the recovery this year, and forecast a fall in recurring profits to Y97bn, on sales up slightly at Y1,740bn.

TNT ahead at interim stage

By Nikki Tait

TNT, the Sydney-based transportation group, yesterday reported a profit after tax but before abnormal items of A$54m (US$38.6m) in the six months to the end of December, compared with A$25.5m a year earlier.

Earnings growth was helped by strong performances from TNT's UK and German operations, an improvement in the core Australian business and lower interest charges.

Abnormal items resulted in a A$19.1m surplus, compared with a A$3.2m charge a year ago, leaving bottom-line profits at A$73m, against A$22.3m last time. Earnings per share on a fully-diluted basis were 9.3 cents, against 3.5 cents.

The company said full-year profits should be in line with targets set in mid-1993, and that it hoped it could resume paying a dividend soon.

The share price responded by adding 5 cents to close at A$1.82.

Operating profit, before interest, tax, depreciation and abnormals, rose to A$183.7m from A$173m, on revenues up to A$3.06bn from A$2.85bn.

TNT said there had been strong contributions from most of its Australian businesses: from TNT Canada (although this was dented in Australian dollar terms by the currency's recent strength); from the UK; and from certain parts of the German business.

The troubled Spanish operations saw reduced losses, and the French unit became profitable during the half-year.

GD Express Worldwide, the express delivery joint venture with a number of international post offices, also moved into the black during the last quarter, with the result that TNT's share of losses for the half-year fell to A$9.75m from A$24.6m.

TNT's 50 per cent interest in Ansett, the Australian airline, was less rewarding, with disruptions at Sydney airport and costs and difficulties stemming from the start-up of Asian services blamed for a fall in profits.

Overall, the contribution of Australasian aviation interests to operating profits fell to A$33.6m from A$43.8m.

Interest charges slipped to A$32.1m from A$41.3m, with the ratio of net debt to shareholders equity remaining stable at 0.93, compared with 0.92.

LEGAL NOTICES

In the Matter of
EDINBURGH BESRES LIMITED
and in the Matter of the Insolvency Act and Rules 1986

In accordance with Rule 4, 106, I, John W Powell of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex, BN11 1RY, give notice that on 13 February 1995 Michael T Bowell and I were appointed Joint Liquidators by resolution of the members.

Notice is hereby given that the Joint Liquidators of the above named company intend to make a first and final distribution to creditors. Creditors are required, on or before the 13 March 1995 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned John W Powell & Michael T Bowell of 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex, BN11 1RY, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

A first and final dividend is intended to be declared and paid on 28th March 1995.

Dated: 15 February 1995

Signed John W Powell & Michael T Bowell
Joint Liquidators

IN THE MATTER OF
OUTLET 49 LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the Insolvency Rules 1986 that on 15 February 1995 I, SUSHIL KUMAR SINGLA of Singla & Company, 6-7 Queen Street London, EC4N 1SP was appointed Liquidator of the above named company by the members and creditors.

Dated 15 February 1995

S K SINGLA Liquidator

Matsushita posts sharp rise for third quarter

By Michiyo Nakamoto

Matsushita, the Japanese consumer electronics group, yesterday reported a 93 per cent rise in consolidated pre-tax profits for the third quarter, helped by buoyant sales of information and communications equipment and cost-cutting measures.

Pre-tax profits rose to Y91bn ($938m) from Y47.1bn in the three months to December. Sales were up 5 per cent to Y1,858.7bn from Y1,764.3bn previously. Net income nearly quadrupled to Y40.3bn from Y10.8bn.

The third-quarter results contributed to a 67 per cent rise in the group's pre-tax profits in the nine months to December, to Y175.5bn from Y105.2bn.

Like many Japanese consumer electronics makers, Matsushita is seeing its chief profit areas shifting away from traditional products such as audio and video equipment to information and communications equipment and electronic components.

Strong sales of information and communications equipment, such as cellular phones and personal facsimile machines, in Japan were a leading factor behind the group's improved performance.

CD-Rom drives and hard disc drives were supported by buoyant growth in the personal computer market. Factory automation equipment also saw strong demand. As a result, the communication and industrial equipment division posted sales growth of 11 per cent.

The strong semiconductor market lifted sales in the electronic components division by 12 per cent, while soild battery sales helped the battery and kitchen-product division post 10 per cent sales growth.

Entertainment revenues from the group's Hollywood MCA unit rose 5 per cent in spite of the stronger yen.

India's Premier Automobiles back in profit

India's Premier Automobiles made a net profit of Rs187m ($6m) for the 18 months ended in September 1994, swinging from net losses reported for the previous two fiscal years, Shiraz Sidhva and agencies report from New Delhi.

The company posted a net loss of Rs224m for the year to March 31 1994. It attributed the turnround to restructuring measures and voluntary retirement schemes, which have resulted in about 3,000 job losses.

However, analysts said favourable terms for the sale of one of the company's plants to a joint venture between Premier and Peugeot of France also played an important role in the improvement. The company has not provided details of the disposal.

Sales during the 18 months to September reached Rs8.23bn, compared with Rs3.79bn for the previous 12 months. Operating profit was Rs1.07bn against Rs123.4m.

Bahrain bank in Indian venture

By Shiraz Sidhva in Bombay

TAIB Bank, the Bahrain-based global investment and merchant bank, has collaborated with nine large Indian corporations to set up a joint venture to be based in Bangalore.

The new venture, TAIB Capital Corporation, will have initial paid-up capital of Rs50m ($1.6m), and will start operations in June.

TAIB Bank, which recorded a profit of $9.58m last year, is the first Gulf institutional investor to be recognised by India's Securities and Exchange Board, the government's stock market watchdog.

The bank will hold 51 per cent of the equity in the venture, with the balance being equally shared by its nine Indian partners.

The partners include: Essar, a Madras-based industrial group with interests in shipping, steel, oil and gas, offshore construction and drilling, power and finance; Kotak Mahindra Finance, a division of Mahindra and Mahindra, the auto, tractor and heavy engineering group; Usha Martin, the Calcutta-based steel group; the Murugappa group; Baroda Rayon Corporation; Western India Industries; Hindustan Alloy; South Indian Bank; and ITC, the Calcutta-based tobacco, paper and hotels conglomerate.

ITC's plans to set up a joint venture with Peregrine Capital, the Asian investment group, fell through last year. Peregrine has since entered the Indian market through a joint venture with five other Indian companies.

Investors learn to dance the Salim Group shuffle

The Indonesian group's Bogasari business is again being shifted between balance sheets, writes **Manuela Saragosa**

Asset shuffles at Salim Group, one of Indonesia's largest and most powerful conglomerates, are not popular among investors in the group's listed companies, which rank among the largest on the Jakarta Stock Exchange.

Yet Salim officials have confirmed that the group plans to sell Indocement Tunggal Prakasa's 100 per cent equity in Bogasari, a flour-milling operation, to Indofood Sukses Makmur, a Salim Group company which was listed in July last year. After the transfer, Indocement will still indirectly own Bogasari through its 51 per cent stake in Indofood.

It will be the second time that Bogasari finds itself transferred between balance sheets of Salim Group companies. In 1992, when Bogasari was injected, for about $400m, in to Indocement the transfer also involved selling a 51 per cent shareholding of Indofood and a 21-storey building in central Jakarta to Indocement.

The moves were not welcomed, as investors complained that the assets were overvalued, leaving minority shareholders feeling cheated.

This time, the asset shuffling is between two listed companies of the Salim Group, and officials at both assure investors that the interests of shareholders will be their top priority. "In this case, at the very least if it's detrimental to one of the companies, it will be beneficial to the other," says one Jakarta-based foreign broker.

While the transfer is certain to benefit Indocement, which will become a pure cement play on the stock market, the benefits for Indofood are less clearly defined.

It will help Indocement, which is a highly-geared company, relieve its debt burden. Bogasari, which with an 85 per cent share of Indonesia's flour market has a virtual monopoly on flour milling, has about Rp400bn ($188m) in debt – injecting its assets into Indofood would remove a unit from Indocement's balance sheets that has always had lower margins than the cement business.

The transfer will also allow Indocement to focus on its core cement business. Cash from the sale of Bogasari will help finance Indocement's plans to expand annual production to 14.5m tonnes a year by 1997 from the current 9.4m tonnes.

Details of the transaction have not been worked out, but debt financing and a rights issue at Indofood are under consideration. An independent team will value Bogasari, which could be worth as much as $700m.

Transferring a food division from a cement producer to a food manufacturer might appear a logical step. Mr Sudwikatmono, president director of both Indocement and Indofood, says the acquisition will "enhance Indofood's standing as the largest integrated food manufacturer in the region".

The acquisition will link Indofood with its main raw material supplier for its noodle business, but Bogasari's operations and Indofood are linked anyway because they are controlled by the same parent company. "There is no hint that simply by owning the company Indofood will benefit either in terms of access or pricing," says Mr James Spence, head of research at W. I. Carr in Jakarta.

Neither is Bogasari likely to benefit in terms of access to Indofood's marketing skills. Flour is a highly-regulated commodity in Indonesia – imports are banned and the government controls its procurement. As a result, "flour is a product where branding means nothing in Indonesia", says Mr Spence.

Indofood is a cash-rich company, with estimated reserves of about Rp1,000bn, and is ready to make new investments. Salim Group officials say Bogasari will remain a separate entity within Indofood and that the transfer will smooth out the financial structure of the unit and prepare it for an eventual separate listing.

However, there is suspicion that Indofood's money is being used simply to help the parent company cash in on its maturing businesses. The Indonesian government may well give in to pressure to deregulate food imports and this could hurt Bogasari.

Analysts also note that when the Salim Group decided last year to sell part of its 100 per cent holding of Indofood in an IPO, the money raised went straight to the parent.

In the end, the rationality of the transfer will depend on the price of the sale and its financing arrangements, both of which must be approved by minority shareholders.

NEWS DIGEST

Bombay SE raps Reliance Industries over rule breach

The governing body of the Bombay Stock Exchange has decided to suspend trading in the shares of Reliance Industries, India's biggest private-sector company, for a day, for violating the exchange's rules, writes Shiraz Sidhva in New Delhi.

The date of suspension has yet to be announced.

An exchange official said yesterday that Reliance had violated Clause 19 of the exchange's listing agreement, which stipulates that companies should recommend a dividend for a financial year at least five days before the closure of its register of members.

Reliance has also been criticised for not giving the exchange adequate notice before announcing the merger of two of its subsidiaries, Reliance Polypropylene and Reliance Polyethylene.

"We respect the decision of the Bombay Stock Exchange," Reliance said yesterday.

The Bombay Stock Exchange, India's oldest and largest bourse, has been tightening its regulations since a securities scandal in 1992. The bourse is now more accountable to the Securities and Exchange Board, the government's watchdog body, which has recently been given more regulatory powers by the finance ministry to ensure that another scandal does not occur.

GMK in the red after asset write-down

Gold Mines of Kalgoorlie, which is 30.45 per cent-owned by Mr Robert Champion de Crespigny's Poseidon Gold, yesterday unveiled a A$300.3m (US$221.41m) loss after tax and abnormals – the damage being done by the large asset write-down which the company foreshadowed at the end of January, writes Nikki Tait in Sydney.

Ahead of abnormals but also after tax, GMK made a profit of A$20.1m, a 49 per cent increase on the same period a year ago.

The company said that gold sales increased by 7 per cent, to 231,503 ounces, although there was a lower net realised gold price of A$564 an ounce.

The total abnormal item was a A$320.4m charge, with the downward revaluation of the carrying value of certain mining assets accounting for the bulk of this – some A$315m. The write-downs followed the decision by the Normandy Poseidon group and its various attached units to adopt more conservative *accounting policies.*

GMK's largest assets are a 50 per cent interest in the Kalgoorlie "Super Pit," and the Jubilee mine, also at Kalgoorlie in Western Australia.

Skanska buys Czech and German companies

Skanska, Scandinavia's largest construction and real estate group, is bolstering its position in central Europe by acquiring companies in Germany and the Czech Republic, writes Christopher Brown-Humes in Stockholm.

The main purchase is Voigt, a Berlin-based group with 300 employees and DM50m ($33.94m) in annual sales.

Skanska is also buying 50 per cent of Hakastav, a Prague-based construction management and consulting firm with sales of SKr20m ($2.74m). Terms in both cases were undisclosed.

The acquisitions enhance Skanska's drive to build up its international operations to compensate for the slump in the Swedish building market.

Mr Jan Sjöstedt, president of Skanska International Building, said "both companies fit into our aggressive strategy in Europe and should be regarded as important investments in future markets".

Skanska has also recently bought companies in the US and Finland.

Dylex offers creditors mix of cash and shares

Dylex, Canada's biggest speciality retailer, is asking creditors to accept 60 cents on the dollar and 40 cents in new common shares, writes Robert Gibbens in Montreal.

Dylex is under court protection from creditors while it restructures C$238m (US$170m) of debt. The vote on the proposal is expected on March 29 in Toronto.

Dylex proposes to create 27m new voting common shares to replace its present three-tier share structure. Trade creditors and debenture holders would become majority stockholders in the company.

Unsecured creditors would get 60 cents in cash by December 31, 1995, and 40 cents in new common shares, on the basis of one new share for each C$12.50 of total claim. Landlords would get six months' gross rent in cash and 40 per cent in new shares.

Payments on existing bank term debt would be deferred until 1996. Dylex's C$112.5m of subordinated debentures would be converted to equity.

Dylex has closed nearly 200 of its 877 stores across Canada and has eliminated 2,400 full and part-time jobs as part of the restructuring.

SCA ready to seal deal on PWA purchase

SCA, the Swedish forestry group, is tomorrow due to finalise its DM1.2bn ($814m) purchase of a 60 per cent stake in PWA, Germany's largest pulp and paper company, after the deal was cleared by the European Commission yesterday, writes Christopher Brown-Humes in Stockholm.

The purchase will create Europe's largest pulp and paper company with combined annual turnover of SKr56bn ($7.67bn) and production capacity of 7m tonnes.

The move, at a time of a strong recovery in the pulp and paper sector, is designed to consolidate the Swedish group's activities in packaging and tissues while expanding its operations into two new sectors, graphic and speciality decorative papers.

Ansaldo Trasporti advances to L28.8bn

Ansaldo Trasporti, the Italian manufacturer of rail transport systems, increased net profit to L28.8bn ($18m) in calendar year 1994, before minority interests, and cut net debt to L111bn, *writes Andrew Hill in Milan.*

In 1993, excluding extraordinary gains, Ansaldo Trasporti recorded a net profit of L27.2bn ($17m) before minority interests, and had net debt of L166bn at the year-end.

Just over 50 per cent of Ansaldo Trasporti is controlled by Ansaldo, part of the state-controlled Finmeccanica engineering group, but the balance is quoted in Milan.

The Ansaldo Trasporti board is recommending an unchanged dividend of L152 a share.

The value of pending orders for the group increased by 20 per cent in 1994 to L4,242bn, compared with L3,528bn in 1993, and orders received during the year nearly trebled to L1,545bn, against L549bn.

Kaufhof sells 50% stake in Kuoni

The Kuoni-Hugentobler Foundation and a Swiss banking group have bought the 50.1 per cent stake in Kuoni, the Swiss travel group, held by Kaufhof of Germany since 1992, writes Ian Rodger in Zurich.

The move appears to be the prelude to a long-delayed simplification of Kuoni's capital structure and improvement in the liquidity of its shares. Kuoni, which last week announced a new management structure, said it would provide further information on the purchase on Friday.

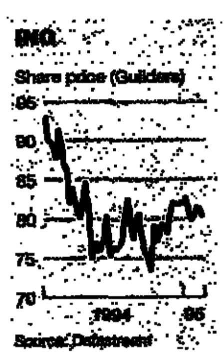
The Kuoni-Hugentobler Foundation holds all *10,000 issued SFr100 nominal registered shares* in Kuoni, giving it 52.6 per cent of the votes. Kaufhof held 5,011 of the 9,000 SFr1,000 nominal bearer shares.

The rest of the bearer shares, and 120,000 SFr50 nominal participation certificates, are widely held.

Kaufhof acquired its Kuoni stake after Swissair sold its 35.8 per cent holding in May 1992.

The Kuoni-Hugentobler Foundation then indicated it was displeased that Swissair had not offered it first refusal.

ING buys Dow's stake in Bank Mendes Gans



ING Bank of the Netherlands has bought US chemical firm Dow Chemical's 29 per cent stake in the independent Bank Mendes Gans, Reuter reports from Amsterdam. Mendes Gans is one of the few remaining independent, small banks in the Netherlands and provides financial services to multinational companies and institutional investors. The sale is conditional on Dutch central bank approval.

ING Bank said acquiring the stake would substantially strengthen its position in the upper segment of the payments traffic market. No financial details of the transaction have been published.

Mendes Gans has 22,000 outstanding shares which were quoted at Fl 7,950 each on the Amsterdam Stock Exchange on Tuesday morning with a traded volume of 14 shares. Only a small portion of the bank's shares are actively traded on the exchange.

Mendes Gans posted 1993 net profits of Fl 9.7m ($5.87m) up from 1992's Fl 8.8m. Its balance sheet total was Fl 690.5m by the end of 1993.

The company said in August its 1994 first-half net profit was slightly higher than in the year before and added it also expected the full-year net to show a slight increase. Mendes Gans has not given any further 1994 figures to date.

Interpublic earnings held back by charges

By Richard Tomkins in New York

Interpublic, the US advertising group, yesterday reported a fall in net income to $30.8m from $50.6m for the fourth quarter because of a restructuring charge resulting from the cost of consolidating acquisitions.

The company said net income would have risen 12 per cent to $56.4m, but profits were hit by a $25.7m after-tax charge caused mainly by the cost of assimilating the Ammirati & Puris agency acquired last summer. Costs arose, for example, in eliminating functions that were duplicated and divesting conflicting accounts.

Gross income rose 54 per cent to $251.4m in the US and 8 per cent to $373.9m outside *the US, producing an overall* increase of 23 per cent to $625.3m. Earnings per share were 74 cents before the restructuring charge and 40 cents after it, compared with *67 cents last time.*

For the full year, net income fell 8 per cent to $115.2m, including the effects of the restructuring charge but excluding the effects of accounting changes. Interpublic said the figure would have risen by 12.5 per cent excluding all the charges.

Mr Eugene Beard, chief financial officer, said Interpublic had net new business of $693m in 1994.

Deere posts record income in first quarter

By Laurie Morse in Chicago

Deere and Company, the US agricultural and construction equipment manufacturer, reported record first-quarter net income of $138.4m, or $1.60 a share, up nearly 60 per cent from $87m, or $1.20, a year earlier.

Revenues for the quarter, which ended January 31, jumped 22 per cent to $2.1bn from $1.7bn. During the quarter, US equipment sales to dealers were up 18 per cent at $1.3bn, while overseas equipment sales increased 41 per cent to $405m. Deere's financial services arm reported $347m in revenues.

The company said its worldwide production tonnage rose 11 per cent from the first quarter of 1994 and, given the moderate growth outlook for the North American economy, its full-year 1995 worldwide production tonnage is expected to increase by 4 per cent.

Mr Hans Becherer, chairman, said he expected worldwide demand for agricultural equipment to remain strong.

"Near-record US net farm cash income in 1994 should support strong 1995 farm expenditures. Higher exports of farm commodities should continue to result from ratification of the General Agreement on Tariffs and Trade," he said.

TBS advances in last period

By Louise Kehoe

Turner Broadcasting System, the broadcasting and entertainment group, reported a sharp increase in earnings for its fourth quarter.

Net profits jumped to $26.5m, or 9 cents a share, from $9.5m, or 4 cents, a year ago. Revenues increased to $825.3m from $535m. Turner said the fourth-quarter result includes a $5m charge for renegotiation of certain bank credit facilities.

Results also included the results of New Line Cinema, acquired in January 1994, and Castle Rock Entertainment, *bought in December 1993.*

RBC securities business hires former Kidder staff

By Bernard Simon in Toronto

RBC Dominion Securities, Royal Bank of Canada's investment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm, to help expand its international equity derivatives business.

The Canadian firm plans to set up operations in New York, London and Tokyo over the next two years as part of a drive to transform its existing equity derivatives service, based on Canadian market *indices and baskets of Canadian securities,* into an international package.

The team hired by Dominion was not included in the Kidder Peabody businesses which were taken over last autumn by PaineWebber, the US financial services group.

The group, which includes computer systems experts and administrative staff, is led by Mr Peter Klein, who was managing director of Kidder's derivatives business.

Mr Bill Moriarty, a Dominion director, said the firm would *offer a similar package of* equity derivatives as Kidder Peabody, initially focusing on US securities.

Dominion's move appears, however, to be less ambitious than the thrust into global derivatives being undertaken by Wood Gundy, the securities arm of Canadian Imperial Bank of Commerce. Wood Gundy recruited a group of employees from Lehman Bros, the New York investment bank, to spearhead its bid to become a top player in the derivatives market.

Dell lifted by notebook sales

By Louise Kehoe in San Francisco

Dell Computer, the US personal computer manufacturer, reported record sales for *its fourth fiscal quarter,* boosted by strong sales of notebook computers and Pentium desktop PCs.

Revenues for the quarter ended January 29 were $1.03bn, a 39 *per cent increase over* $743m in the same period a year ago. Net income for the quarter was $60.3m, or $1.36 a share, compared with $17.7m, or 39 cents, in last year's fourth quarter.

Earnings included a one-time benefit of 10 cents a share from the inclusion of an extra month of international operations, as the company unified its domestic and inter*national fiscal calendars.*

Excluding the benefit, earnings were still above Wall Street projections or about $1.03 a share. For the year, worldwide sales totalled *$3.5bn, up 21 per cent from* $2.9bn in fiscal 1994. Net income for the year was $149.2m, or $3.38 a share, against a loss of $35.8m, or $1.06.

The previous year's losses *were in part related to* restructuring charges and to Dell's temporary withdrawal from the notebook computer market due to flaws in its product designs. Dell re*entered the market, with new* notebook products, in August 1994.

Fourth-quarter sales of Pentium PCs represented 44 per cent of systems sales, compared with 32 per cent in the third quarter, Dell said. Sales of notebook computers represented 14 per cent of fourth-quarter revenues, surpassing sales for the previous three quarters combined.

Apple copyright appeal dismissed

By Louise Kehoe

Apple Computer's seven-year legal battle to protect the "look and feel" of its Macintosh personal computer software ended yesterday when the US Supreme Court let stand a lower court ruling dismissing its claims against Microsoft and Hewlett-Packard.

In its suit, filed in 1988, Apple claimed Microsoft's Windows and a Hewlett-Packard program called NewWave copied the screen displays of Apple's Macintosh software.

When Apple filed its suit, the company held a clear technology lead with its Macintosh "point and click" graphical user interface, which greatly simplifies the use of a personal computer. Today, however, Microsoft's Windows, which offers similar functions, is used on nearly 90 per cent of all PCs.

At issue was whether screen symbols representing computer functions, such as the dustbin symbol for deleting a text file, were covered by Apple's copyright.

In its appeal, Apple asked the justices to decide the extent of copyright protection available to computer interfaces. Apple argued that lower courts had erred by "dissecting" the Macintosh displays to determine whether individual elements were covered by its copyright, rather than considering the broad similarities between the Macintosh and Windows.

Microsoft and Hewlett-Packard argued that the case raised "no broad copyright issues" because Apple's rights were lessened by a technology-sharing agreement with Microsoft.

Aracruz Celulose back in the black

By Angus Foster in São Paulo

Aracruz Celulose, the Brazilian eucalyptus pulp manufacturer, yesterday announced a sharp swing to profit due to rising pulp prices and cost-cutting.

Aracruz, which is listed on the New York Stock Exchange as well as in Brazil, reported a profit after tax of R$217.7m (US$259m) in the year to December 31, compared with a restated loss of R$101.5m in 1993.

Mr Luiz Kaufmann, president, said worldwide economic upturn had led to a "vigorous" increase in pulp demand. "This upturn in the cycle appears to have solid sustaining conditions, considering that new pulp production capacities may not be enough to supply the increasing demand," he said.

Net operating revenues *increased 26 per cent to* R$526.8m. Most of the increase was due to a 36 per cent rise in the US dollar average pulp price and a 4 per cent increase in sales to 1.07m tonnes. The pulp price increase was not fully reflected in Aracruz's revenues because Brazil's Real currency appreciated more than 15 per cent against the dollar in the second half of the year. This helped cut net debt by US$90m to US$726.4m.

Aracruz managed to cut nearly R$15m from operating costs, which fell to R$419.5m.

Operating income swung from a R$47.1m loss to a profit of R$77.2m. Other income, mainly financial and currency gains, posted a profit of R$152.1m.

Earnings per common share were 26 centavos, against a 13 centavos loss last time, while earnings for the preferred A and B shares were 35 and 26 centavos respectively. The company is recommending an additional dividend of R$18.56 per 1,000 ADRs. This follows the December-approved dividend of R$414.58 per 1,000 ADRs. Each ADR represents 5 class B shares.

COMPANY NEWS: UK

North American side boosts Unilever growth

By Roderick Oram, Consumer Industries Editor

North America was the best-performing region last year for Unilever, the Anglo-Dutch consumer goods company, offsetting lower profits in Europe.

Sir Michael Perry, chairman of the UK arm of Unilever, was cautious about the future in Europe. "We cannot yet be sure when confidence in Europe will grow sufficiently to boost consumer spending, but such signs as there now are seem to be favourable."

For the group as a whole, operating profits before exceptional items rose 6.8 per cent to £2.58bn. North America's contribution rose 18 per cent to £502m on sales ahead 4 per cent at £5.92bn, or up 7 per cent adjusting for currency factors. Volume growth was also up 4 per cent but rose to 8 per cent including acquisitions. The operating profit margin rose one percentage point to 14.6 per cent in the fourth quarter, dwarfing the 5.2 per cent margin in Europe.

Unilever attributed the North American performance to restructuring and cost savings, particularly in detergents and ice cream, and to product innovation. The annual margin of 8.5 per cent was sustainable given the variety of positive factors contributing to it, he said.

Personal products, foods, chemicals and a recovery at Lipton Tea all turned in good performances. Detergents held their profits despite a drop in the selling prices of fabric-cleaning products.

Europe contributed £1.31bn in operating profits, down 2 per cent, on sales up 4 per cent at £15.72bn. About half the growth in sales came from price increases and the rest from acquisitions such as Ortiz-Miko ice cream and frozen foods in France.

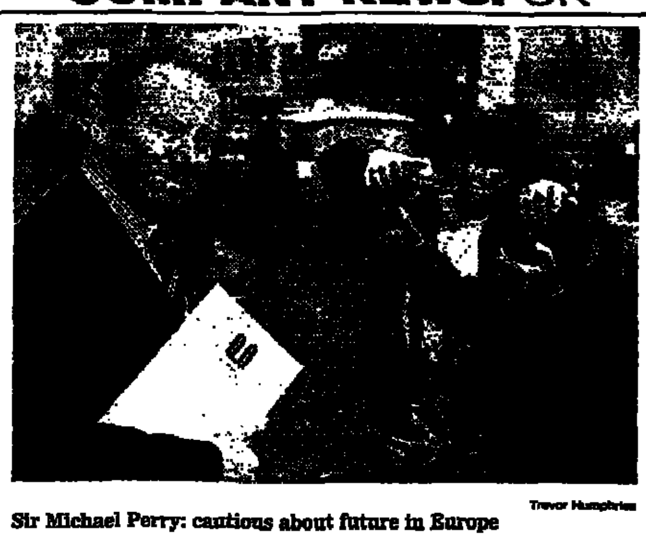
Unilever said the problems with its range of Power detergents were the main reason for the decline in the overall European operating margin, from 8.8 to 8.3 per cent.

Strong growth in ice cream and iced teas helped offset static profits in oils and dairy fats and declining profits in ready meals and meal components. The latter problem arose from severe price competition in Germany and operating difficulties in Italy.

Personal products expanded rapidly following a successful UK launch of the Organics hair-care range, which will be rolled out across Europe this year.

Unilever said it had already spent about half the £490m exceptional restructuring charge it had taken in 1993 and was beginning to benefit from the cost savings. Exceptional charges fell to £62m in 1994.

"Gross restructuring charges of about £100m a year are required for a company of our size," Sir Michael said.



Trevor Humphries

Sir Michael Perry: cautious about future in Europe

Two-pronged strategy for emerging markets

By Ronald van de Krol in Rotterdam and Roderick Oram in London

Unilever, the Anglo-Dutch consumer products group, is planning to pursue the two-pronged approach of organic growth and acquisition to boost its presence, sales and profits in emerging markets.

Acquisitions will probably play a more limited role than the group's own efforts to start up businesses from scratch in order to achieve organic growth.

"Every now and again you take a short cut by doing an acquisition," said Mr Morris Tabaksblat, chairman of Unilever NV, the Dutch arm of the group. But he pointed out that this is not possible, for regulatory or other reasons, in every country.

"Both [acquisitions and organic growth] happen, but I think that, in acquisitions, the opportunities are fairly limited," he said.

Sir Michael Perry, chairman of Unilever plc, the UK arm, said that one of the more likely avenues was food companies in developing countries. Last year Unilever made substantial acquisitions in Argentina (tomato-based food), Venezuela (ice cream) and India (detergents and an ice-cream alliance). But it also saw strong organic growth in countries where it acquired hardly any businesses.

In central and eastern Europe, turnover jumped by 25 per cent in 1994 to £500m ($775m). Nearly all this growth was organic, Mr Tabaksblat said, as Unilever made just one acquisition – a small Hungarian frozen food company.

Turnover in China and Hong Kong trebled to £130m, of which some £100m was in China.

Mr Tabaksblat said the company was "fairly well on course" to reach its goal of generating about one third of its annual turnover in the geographic category "rest of the world" by the end of the decade.

In 1994, Unilever reported 53 per cent of its sales in Europe, 20 per cent in North America and 27 per cent in the rest of the world, a broad category that includes not only developed countries such as Japan and New Zealand but also developing countries in Asia, Africa and South America.

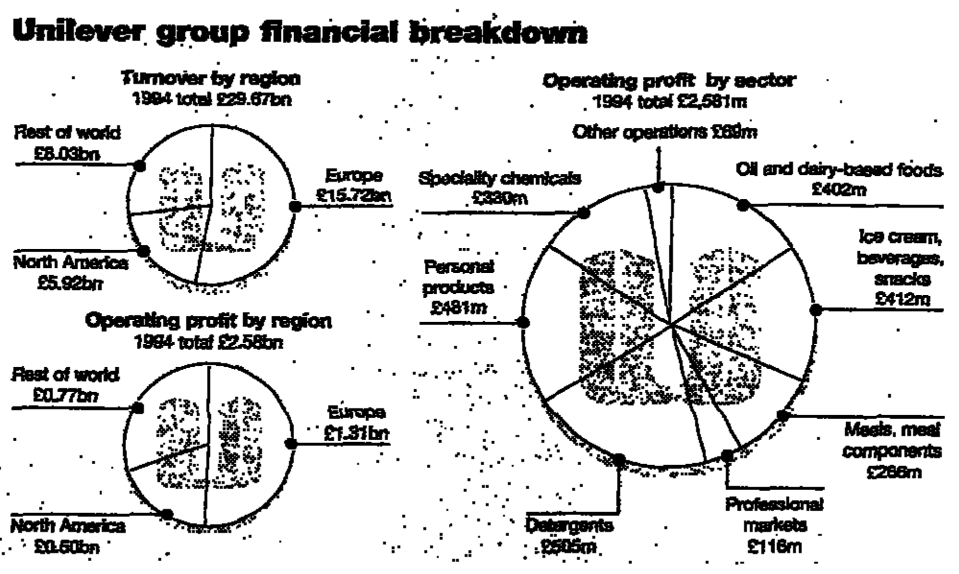
In pursuit of its emerging markets policy, Unilever is having to invest more in these countries than it currently gets back in profits.

Last year, 26.7 per cent of fixed-asset investment and acquisition spending was concentrated in emerging markets, while these countries generated just 24.2 per cent of turnover. This marks a turnround from the 1980s, when Unilever's investment and acquisitions in emerging markets were, proportionally, less than half of what it rung up in sales.

Profits have already started to emerge in some of these new markets, such as Poland, Hungary, the Czech Republic and Slovakia. But China, an important destination for Unilever investment, has yet to produce a profit.

"I'll be happy to watch a doubling or trebling of sales in emerging markets," Sir Michael said, "and I'll leave my successors a source of profit for the future."

Unilever group financial breakdown



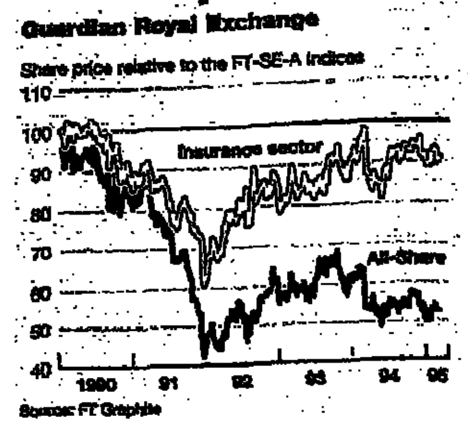
LEX COMMENT

GRE lays out plans

Guardian Royal Exchange is displaying a welcome lack of self-congratulation. Yesterday's operating profits were the best in a quarter of a century, the margins more robust than expected, and yet the group chose to announce a 10 per cent cut in the domestic workforce.

It was wise for GRE to spell out its plans for the downturn ahead, rather than harp on about the immediate past. The figures for 1994 probably constitute the peak of the current cycle in insurance earnings, and the 8 per cent fall in motor insurance premiums in the UK is the thin end of the wedge. So far, margins here have remained stable due to a combination of reduced costs and improved claims experience. But this is not sustainable. Competition will intensify and margins will be eroded, in this market segment and others. GRE's businesses in Germany, the US and Ireland performed strongly last year and provide exposure to different insurance cycles – but do not give GRE immunity to the UK.

The outlook for GRE's shares will hinge less on the group's skills in handling the coming downturn, than on world financial markets. Just as insurance shares performed dreadfully when operating profits were climbing towards their peak, there is no reason why they should not outperform as underwriting profits start to fall. If the market does not perk up, though, thus feeding through to investment income, insurers' ability to increase their dividends will start to look suspect, and valuations will seem stretched.



Trafalgar House

While shareholders in Northern Electric bask in the hope of a higher offer, investors in its aggressor have fared less well. Trafalgar House's ordinary shares have fallen almost 10 per cent since it launched its bid, and its preference shares are now trading at 88p. This compares to the 99p at which they have been underwritten, as part of the bid. Any increased offer would probably require it to re-underwrite the preference shares at a far less attractive rate.

Trafalgar's share performance is not entirely surprising. It is raising money to buy a rather unexciting source of cash flow, which suggests the prospects of its existing businesses may not be that great. In addition, while Northern would enhance Trafalgar earnings even at a far higher price than the 1048p now on the table, this would not all be fed into Trafalgar's valuation. Half an enlarged Trafalgar's profits would come from electricity. And any valuation would carry a political risk discount given the potential for a Labour government and regulatory interference.

Northern's scheme for paying investors cash and other financial goodies worth over 500p suggests a base valuation of 1050p or so for the shares is not unreasonable. Also, Trafalgar could receive tax benefits worth 150p to 200p more from a merger because of its written off advance corporation tax. Of course, these benefits are Trafalgar's and could be realised through other buys. But they offer scope for some sweetening before Friday's deadline.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Clondalkin ♣	Yr to Dec 31	205.8	(152.7)	15	(10.5)	25.22	(17.52)	3.188	Apr 6	2.898	5.205	4.732
Eng & Overs Props	Yr to Dec 31	4.56	(5.98)	0.99	(0.31)	1.29	(1.18)	0.8	May 30	0.5	0.9	0.5
Enterprise Computer	6 mths to Sept 30	2.93	(9.9)	5.19L†	(0.025)	6.55L	(0.02L)	nil	-	nil	-	nil
GRE	Yr to Dec 31	3,703‡	(3,300‡)	78‡‡	(751)	14L	(74.5)	5.4	July 3	4.95	8.25	7.6
Haggas (John)	6 mths to Dec 31	18.6	(16.2)	1.16	(1.07)	3.5	(3.3)	1	Apr 27	1	-	3
Macro 4	6 mths to Dec 31	12.3	(12.1)	5.69	(5.4)	16.7	(16)	8.6	May 1	8.02	-	20
National Westminster	Yr to Dec 31	-	(-)	1,592	(989☆)	63	(35)	14.3	May 9	12.1	21.6	18.5
Sedgwick	Yr to Dec 31	931.3	(909.7)	94.4★	(70.5)	11	(9)	3.5	Apr 28	3	6.5	6
Seet	6 mths to Oct 31	3.7	(2.89)	0.101	(0.023L)	0.45	(1.15L)	nil	-	nil	nil	nil
Unilever	Yr to Dec 31	29,668	(27,863)	2,383♠	(1,927)	83.59	(69.45)	20.3	May 19	18.95	28.81	25.03
Yorkshire Chemicals	Yr to Dec 31	119.8	(112)	14.38	(13.02)	22.5	(21.1)	5.85	Apr 7	5.5	8.6	8.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
European Smaller	6 mths to Dec 31	128.3	(135.8)	0.003L	(0.003L)	nil	(nil)	-	-	-	-	0.68
Inv Tst of Guernsey	Yr to Dec 31	77.1	(87.3)	2.06	(2.05)	2.65	(2.68)	1.775♥	May 5	1.725	2.6	2.85
Jupiter Intl Green	Yr to Dec 31	51.3	(74.8)	1.02	(0.866)	4.06	(3.44)	1.9	Mar 31	1.7	3.6	3.4
Pacific Assets	Yr to Jan 31	466.1	(381.5♦)	0.4	(0.46)	1.96	(2.32)	1.3	Apr 21	1.2	1.3	1.2
Shirescot	Yr to Dec 31	144.7	(155.8)	1.09	(0.881)	6.62	(5.43)	1.8	Mar 31	1.75	5.4	5.05
Temple Bar	Yr to Dec 31	339.2	(384.17)	8.16	(7.9)	14.24	(13.79)	9.25	Mar 31	8.95	13.95	13.55

Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. †After £4.37m exceptional charges. ‡Total premium income. ‡‡After £28m exceptional restructuring costs. ☆After £159m provision for withdrawal from certain foreign retail operations. ★After £13.6m exceptional credits. ♠After net exceptional charge of £48m (£402m). ♦Comparisons restated. ♥Gross to non-Guernsey residents.

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International earnings lift GRE

By Ralph Atkins, Insurance Correspondent

Guardian Royal Exchange, the composite insurer, yesterday announced a 63 per cent increase in trading profits in 1994, helped by stronger-than-expected earnings from international operations.

GRE acknowledged that UK trading conditions were worsening, but argued it was better placed for the expected downturn in insurance than at the previous late-1980s peak. Private motor insurance premium rates, for instance, were 8 per cent lower than a year before and may fall a further 5 per cent – but claims had also fallen substantially.

Mr John Robins, chief executive, said he was prepared to see premium income fall to protect profitability. "We are not going to run after volume," he said.

An exceptional charge of £28m was announced to cover restructuring costs, including a further 500 job cuts in the UK general business, a streamlining of German operations and management changes in the US.

Trading profits reached £298m ($461.9m) in 1994, up from £183m in 1993. After taking account of investment losses, the group made a pre-tax loss of £75m against a profit last time of £751m. GRE is unique among the main UK composite insurers in presenting its accounts this way. Total premium income rose from £3.3bn to £3.7bn.

GRE's results were spoiled by poor figures for UK life business. Income from new single-premium policies was

John Robins: 'we are not going to run after volume'

almost halved, from £156m in 1993 to £81m. The group blamed poor publicity for life products generally and the lack of activity in the mortgage market. GRE has already announced about 800 job cuts on the life side and did not rule out further reductions. An exceptional charge of £11m associated with a review of the UK financial services division was included in the 1994 life fund figures.

Trading profits at GRE's Irish insurance operations, which are dominated by private motor insurance, jumped from £29m to £40m. Albingia, the group's German subsidiary, turned a trading loss of £13m in 1993 into a profit of £14m. The US subsidiary's trading profits slipped from £12m to £11m, but its speciality auto business, which accounts for 40 per cent of US business, performed well, helped by the acquisition of the National Corporation and American Ambassador Casualty Company.

See Lex

Sedgwick moves ahead to £94.4m

By Patrick Harverson

Strong growth in its European and North American retail operations and continued expansion in fee-based businesses helped Sedgwick, the insurance broker, increase full-year pre-tax profits 34 per cent from £70.5m to £94.4m ($146.3m).

The results, which were at the top end of expectations, lifted Sedgwick from third to second place in the global rankings of insurance brokers, behind Marsh & McLennan of the US.

Total revenue for the year ended December 31 advanced from £809.7m to £931.3m.

Mr Sax Riley, chief executive, said the profits growth proved that the group's strategy of developing its worldwide retail insurance broking network and expanding its consulting operations was paying off. "We're taking the medicine, and it's working," he said.

Even so, the outlook for Sedgwick's earnings this year is clouded by the recent softening of rates in the UK, continental European and North American insurance markets.

The group believes that it can continue to grow despite the changing business climate. Mr Riley said it would pursue expansion "through organic growth, cross-selling, acquisitions when opportunities arise, and venturing into new and complementary markets."

Last year, the improvement in earnings came primarily from the European and North American insurance businesses, which lifted retail brokerage and fees on an underlying basis (excluding acquisitions) by 8 per cent to £503.8m.

These gains helped offset a modest underlying decline in brokerage and fees at Sedgwick Payne, the group's specialist insurance operation in a London market undermined by overcapacity and intense competition.

Sedgwick Noble Lowndes, its financial services and consulting arm, turned in a better performance thanks to sharply lower costs, against a difficult background in the UK life and personal pensions industry.

Earnings per share reached 11p (9p).

Expro to go ahead with float

By Robert Corzine

Expro International, the oil services group seeking to come to the market via a placing and public offering next month, said it was not "intimidated" by current conditions and intended to go ahead with the planned flotation.

Mr John Dawson, chief executive, said Expro was confident that investors would support the flotation, expected to value the company at about £100m ($155m). It hopes to raise £50m-£55m to cut debt. Flotation plans were resurrected last month, having been planned originally for last summer.

Expro, an Aberdeen-based company providing technical services to big oil companies, yesterday published its pathfinder prospectus. The new shares are to be placed with institutions and other investors, with a maximum 25 per cent clawback to cover the public offer. The directors and existing institutional investors would not be selling shares, executives said.

The company reported substantial oil and gas development activity in its main markets in the UK, Asia and Europe. It predicted a 17 per cent rise in operating profits to £12m for the year to March 31.

Post-flotation gearing is estimated at 50 per cent.

Pricing is expected on March 14, with first dealings on March 28.

United Biscuits chooses 'hard man' as next chief

By Roderick Oram, Consumer Industries Editor

United Biscuits, perennial takeover grist in the City's rumour mill, has chosen as its next chairman Mr Colin Short, a veteran defender from two classic corporate showdowns.

As finance director of Imperial Chemical Industries, he was widely credited with a key role in thwarting Lord Hanson's tilt at the company in 1991. He held a similar post at Gulf Oil, the US group which defeated a 1983 bid from Mr T Boone Pickens, the maverick Texas oilman.

The company and its advisers, however, played down yesterday those salient features of Mr Short's career. They stressed instead his rigorous financial and managerial skills.

During five years at ICI, he is credited with tightening the sprawling giant's financial systems and overhauling its information technology. He also helped steer through the extremely complex demerger of Zeneca, ICI's pharmaceutical business. "He brings steadiness and rigour to a board", one colleague said.

Mr Short, 60, said that the two main qualities he would bring were "my experience in managing change and my financial background." He has already served three years as a non-executive director at UB. Although he will become non-executive chairman in July, he is expected to work full

Trevor Humphries

Colin Short: veteran defender from two classic showdowns

time, at least initially.

"Entering an industry going through a very competitive period" was one of UB's attractions to him, he said. Working with "an exciting young management team" was another factor. Mr Eric Nicoli, chief executive, and many of his board colleagues are in their 40s.

UB has struggled to regain its footing after an unsuccessful diversification in restaurants, frozen foods and other non-core business in the late 1970s and early 1980s. Mr Nicoli and his team have made progress in focusing on biscuits and snacks and in expanding out of the UK and US into Europe and Asia but the share price has languished.

"They may have to defend themselves because they are pretty exposed by their discouraging record," one food analyst said. The long roster of rumoured hostile bidders includes Hanson, Philip Morris and Nestlé.

Lord Hanson reportedly considered Mr Short the "hard man" who helped give ICI the resolve to fight him. He was one of four board members in an "inner cabinet" formed to defend ICI. Mr Short was the only colleague to accompany Sir Denys Henderson, then ICI's chairman, to the only face-to-face meeting with Lord Hanson and Lord White, his partner, during the 1991 battle.

At UB, Mr Short will replace Sir Robert Clarke who is retiring after 24 years with the company. His posts included chief executive from 1986 and then chairman since 1990.

Observer, Page 19

Yorkshire Chemicals survives volatility

By Motoko Rich

Yorkshire Chemicals, the dyes and specialist chemicals manufacturer, lifted pre-tax profits 10 per cent from £13m to £14.4m ($22.3m) last year, despite price erosion and higher raw-material costs.

Mr Phillip Lowe, chairman, said the advance in profits had been achieved despite fragile market conditions which were markedly volatile during the third quarter.

Compared with results at the half-year, when pre-tax profits rose 19 per cent, yesterday's figures were "a bit" disappointing, he said. But he was pleased with sales growth, which increased 7 per cent to £119.8m (£112m) in spite of average price reductions of about 2.5 per cent.

The market, however, appeared concerned that the rate of sales growth abated during the second half. The shares lost 9p to close at 346p.

Mr Lowe was confident of an improved performance in the current year because the company had built up stocks of raw materials and price erosion appeared to be reversing.

Annual pre-tax profits were flattered by sterling exchange rates and would have been £400,000 lower if 1993 exchange rates had prevailed.

Yorkshire Australia, which makes textile dyes and pigments, and Yorkshire Speciality Products, which manufactures leather dyes and tanning agents and chemicals for the precision engineering industry, were the best performing divisions, raising turnover by about 24 per cent.

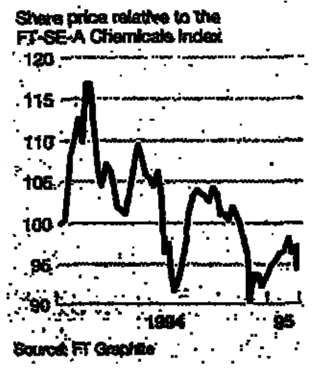
Sales in North and South America, however, fell about 9 per cent to £25.3m (£27.9m). Mr Lowe said this was mainly because of rationalisation of the company's US merchanting activities which began in September 1993.

Capital spending dropped 39 per cent to £8.34m (£13.6m). Mr Lowe said this was attributable to timing rather than policy.

Earnings per share rose from 21.1p to 22.5p. The recommended final dividend is 5.85p (5.5p) for a total 8.6p (8.1p).

Yorkshire Chemicals

Share price relative to the FT-SE-A Chemicals Index



Source: FT Graphite

Macro turnover slows

By Paul Taylor

Macro 4, which makes software products for IBM and IBM-compatible mainframe and mid-range computers, yesterday reported a 5.3 per cent increase in interim pre-tax profits.

Nevertheless, the company, which spent £4.82m ($7.47m) in November buying back 1.1m of its shares, blamed its "disappointing" 1.5 per cent increase in turnover on difficult trading conditions, caused in particular by the switch from mainframe computers to client/server systems based on networks of personal computers.

Pre-tax profits increased to £5.69m in the six months to December 31, up from £5.4m in the same period in 1993, on turnover which edged up to £12.3m (£12.1m).

Mr Terry Kelly, chairman, said the current trend in migration from mainframes to other computer platforms was showing "few signs of abatement".

Mr Kelly said turnover on the group's longer-established mainframe software products, although holding up well in most territories, had fallen slightly overall because the level of new sales had just failing to match up to the cancellations of software agreements, particularly in Germany.

COMMODITIES AND AGRICULTURE

Coffee prices above $3,000

By Alison Maitland

Nearby delivery coffee futures prices spurted through $3,000 a tonne in London yesterday to reach the highest levels this year, as concern about dry weather in Colombia and a shortage of robusta supplies attracted investment fund buyers back into the market.

The May position closed $54 higher at $3,013, supported by a strong New York market, leaving it 5.4 per cent up this week.

London prices have risen by 16 per cent in the past two weeks. But they are still more than $1,000 a tonne below last year's peaks, which were reached after two severe frosts and a drought in Brazil, the world's biggest producer.

Arabica futures in New York, which triggered London's $101 gain on Monday with their strong performance last Friday, were firm again yesterday after Monday's Presidents' Day holiday. May was up 3.60 cents at 173.20 cents a pound in afternoon trading.

Mr David Phipps, a senior trader at Merrill Lynch in London, said the robusta market was being driven by a shortage of supplies from countries such as Cameroon and Ivory Coast. They were hoarding so as not to miss out on any price surges that might arise from Brazil's problems last year.

The dry spell in Colombia, the second biggest coffee exporter, was adding to supply fears, he said. It could harm the mid-season crop, due for picking at the end of March, and might affect the quality of the main crop later in the year.

Meanwhile, consumer stocks were tight. "Roasters worldwide have been drawing down on pipeline supplies. It's hand-to-mouth, with very little cover."

Fischler under fire

By Caroline Southey in Brussels

A majority of European Community agriculture ministers yesterday accused the European Commission of going too far in its farm price proposals, announced last week by Mr Franz Fischler, the new agricultural commissioner.

In a televised debate ministers from most member states lambasted Mr Fischler for making proposals that went beyond price changes introduced under reforms negotiated by Mr Ray MacSharry in 1992. "Whole reform yes, but nothing but the reform. You are taking a risk by asking us to go beyond the reform," Mr Pierre Olivier Drege, director general of the French cabinet, said.

However, ministers from Britain, Sweden and Denmark accused Mr Fischler of not going far enough. Mr William Waldegrave, the UK agriculture minister, said the council had a duty to warn farmers that the 1992 reforms were not sufficient in preparing the EU for enlargement or to help meet its targets under the General Agreement on Tariffs and Trade.

"We are not talking about cliff-edges, but about steady movement," he said.

Mr Fischler's proposals included cutting the butter intervention price by 2 per cent and the monthly storage payments for cereals by 10 per cent. He also proposed reducing the present seven-month cereal intervention period by two months.

He defended the proposals emphasising they were modest because he wanted the council to turn its attention to sectors, such as wine, untouched by the MacSharry reforms.

But ministers opposing the changes warned about the uncertainty facing farmers and called for a period of stability.

Spanish aluminium group explains why it reactivated capacity

By Kenneth Gooding, Mining Correspondent

Mr Javier Alvarez Vara, president of Industria Española del Aluminio (Inespal), explained yesterday why the state-owned Spanish group had reactivated aluminium capacity in abrogation of its previous support for the international trade agreement under which in producers world-wide cut output last year.

He said Inespal had taken the step partly because it had been put up for sale and, with this in mind, the group wanted to take full advantage of rising prices to get back into profit. So it had brought back into operation annual primary aluminium production capacity of 35,000 tonnes that had been shut down in April last year and was now working at full stretch – an annual rate of 350,000 tonnes.

Mr Alvarez Vara said Inespal, which acted quickly to shut down 10 per cent of its capacity after the international agreement was reached in Brussels in February last year, was "a bit disappointed" with the reaction of other aluminium companies in Europe and elsewhere after the trade talks and this also influenced the decision to re-start.

Inespal suffered five years of losses during the deep recession that engulfed the global aluminium industry. It is expected to report a net loss of Pta16bn (US$124m) for 1994, down from Pta25bn the previous year. The Spanish state holding company, Instituto Nacional de Industria, which owns Inespal, usually reports its financial results in March.

Morgan Stanley, the US financial services group, has been asked to advise on the sale of Inespal, preferably as one integrated unit but possibly to two or three different buyers. Inespal in 1993 had sales of Pta93bn and year-end assets of Pta208bn. Apart from its three primary aluminium smelters – at San Ciprian, Aviles and La Coruna – the group owns 1.1m tonnes of annual alumina capacity (the raw material for aluminium), hot and cold rolling mills with an output of about 400,000 tonnes a year as well as producing about 30,000 tonnes of aluminium extrusions.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-17,625	to 1,449,075
Aluminium alloy	-300	to 29,840
Copper	-1,525	to 289,000
Lead	-2,875	to 318,675
Nickel	-480	to 134,310
Zinc	-4,025	to 1,123,175
Tin	-110	to 25,750

In 1990 Inespal launched "Delfin" (Desarollo Estrategico de las Lineas de Fabrication de Inespal), a Pta47bn, five-year programme aimed mainly at modernising its rolling facilities and other downstream activities. This has gone hand in hand with a cut in the workforce, from 8,000 to 5,000 and to 4,500 by 1997. This cost another Pta35bn.

Although Inespal claims to pay more for its energy than any other aluminium producer in the world, it reckons its cash production costs are relatively modest, about US$1,200 a tonne (54.5 cents a pound), primarily because the Aviles and La Coruna smelters are old Söderberg plants that have been fully depreciated.

Inespal was formed from a merger of INI's aluminium operations with the Spanish interests of Alcan of Canada, the world's second largest aluminium group. Alcan owned about 25 per cent of Inespal until it sold to INI because it did not like the Delfin programme. Relationships remain close, nevertheless, and Inespal recently signed another contract for Alcan to supply about 45 per cent of its bauxite requirements to the year 2005.

The Spanish government five years ago attempted without success to persuade Alcan to take full control of Inespal. Other companies said to have expressed an interest at that time included Aluminium Company of America (Alcoa), VAW of Germany and Marc Rich, now re-named Clarendon.

● Five of Kaiser Aluminum's largest US operations have been hit by a strike, writes Laurie Morse in Chicago. In a contract dispute over work rules, more than 3,000 United Steel Workers of America members walked out at Kaiser's two smelters at Mead and Tacoma, Washington; at the company's alumina refinery in Gramercy, Louisiana; and at fabricating and rod plants in Trentwood, Washington and Newark, Ohio. Kasier said it would continue to operate all six of its potlines at the Mead smelter with salaried personnel, but would shut down one of two potlines at Tacoma.

Caribbean producers suspect hidden agenda in banana row

There is a growing belief that Washington is motivated by wider-ranging concerns, writes Canute James

Fearful of being injured by the fall-out from the 'Great Banana War' between the US and the European Union, Caribbean producers have been thrown into confusion by the timing, and the perceived motive, of Washington's attack on their preferential access to the European market.

A US government statement, clarifying its position, has not mollified regional banana producers. If it is Washington's intention to attack the EU banana import regime, the Caribbean producers contend, then inevitably it represents an attack on the banana market on which many small Caribbean economies depend.

There is a growing belief in the region that Washington is acting out of concerns that range wider than the banana trade and the complaint lodged with the US Trade Representative's office by US banana producers. Caribbean producers are further confused about the perceived haste in Washington. They claim that the trade representative harshly attacked the EU's banana import arrangement before a promised meeting between the US government and Caribbean producers to discuss the matter.

Responding to complaints from Chiquita Brands International, which produces bananas in Latin America, and the producers association in Hawaii, that the 20-month-old EU import arrangement discriminated against US producers, Mr Mickey Kantor, the US trade representative, concluded that the claims were justified. He has threatened retaliation.

In its statement clarifying its position, which was issued through it embassy in Barbados, the US said it "understands that Caribbean banana producers need preferential access to the European market". Caribbean government officials say Mr Kantor told them this at the December Summit of the Americas in Miami.

"There has been no change in the US position regarding the banana investigation since the Miami Summit," the statement said. The US remained committed to working with the Caribbean countries as outlined in the terms of reference of the technical working group. "The U.S. government is developing information to respond to Caribbean concerns and hopes to be able to work out soon a mutually convenient time and place for this group to meet," the statement said. The focus of the US trade representative's investigation was the European Union's banana regime, and consequently "Caribbean countries are in no way targeted by this investigation", the statement said.

Washington was also concerned that Colombian and Costa Rican implementation of the banana framework agreement would further compound the discrimination against US companies. "These countries' implementation of the framework agreement triggered the investigation," the US statement said. Caribbean producers say any attack on this framework agreement cannot be sustained because it is too recent for its effect to be determined. "The previous complaints by the Latin American producers were because we did not have a Gatt waiver for the Lomé Convention, the treaty which allows our preferential access to the EU market," says Mr Marshall Hall, chief executive of the Producers Group, which markets Jamaican bananas in Europe.

"With the Gatt waiver which was granted the Lome Convention, the EU felt it was implementing a treaty not inconsistent with Gatt. We find the attitude of the US peculiar. Section 301 of the US Trade Act, under which the trade representative acted, is to protect US firms and their employees. But no US firms grow bananas in the United States."

Chiquita Brands made a strategic error, Mr Hall contends. "They guessed wrongly that our preferences would not be maintained, and they told the Latin Americans to increase production. Last year was a good one for Latin American bananas, that is why other producers such as Dole are not joining Chiquita in complaining as Dole is doing very well."

The Caribbean exporters' worst fear is that they will lose market share in Europe to more competitive Latin American "dollar" fruit. If the US action results in a change in the EU import arrangement, they say, then preferential access for Caribbean fruit will be reduced.

Several Caribbean governments, mainly in the Windward Islands, which produce most of the bananas consumed in Britain, have sent letters to Washington complaining of the Trade Representative's plan to retaliate against European imports.

The US government and the Caribbean exporters agreed in December to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

"That the US has acted before the promised meeting leads us to believe that there is much more than bananas involved," says an official in the Caribbean Community secretariat. "The haste in which the US trade representative acted leads us to believe that the argument over bananas was a convenient tool in dealing with some other matters."

Police in St Lucia were put on alert yesterday after disaffected banana farmers announced an indefinite strike, writes Canute James. The growers say they are protesting at the government's refusal to discuss the management of the industry and to share with them details of a new marketing contract.

St Lucia is the largest producer among the four Windward Islands of the eastern Caribbean, which account for about two thirds of the bananas consumed in Britain. A similar strike late last year cost the industry "million of dollars", according to officials. In calling the strike, the dissident Banana Salvation Committee told its members not to reap any fruit for export.

"Due to past activities involving the blocking of roads and the burning of sheds and destruction of farmers crops, police have been put on full alert," said a statement from the prime minister's office.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1904-5	1938.5-39.0
Previous	1896.5-99.5	1932-33
High/low	1916/1915	1955/1932
AM Official	1917-18	1948.5-49.5
Kerb close		1934-5
Open int.	225,334	
Total daily turnover	68,992	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1875-85	1915-20
Previous	1835-55	1880-900
High/low	1870	1925/1915
AM Official	1870-75	1910-20
Kerb close		1910-20
Open int.	2,782	
Total daily turnover	548	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	583-84	602-3
Previous	581-83	599-601
High/low		612/593
AM Official	589-90	606-7
Kerb close		605-6
Open int.	38,823	
Total daily turnover	6,499	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8400-10	8550-55
Previous	8330-40	8475-85
High/low		8590/8525
AM Official	8430-40	8580-90
Kerb close		8570-5
Open int.	56,400	
Total daily turnover	9,712	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5520-30	5610-15
Previous	5425-35	5520-30
High/low	5520/5505	5630/5550
AM Official	5510-20	5590-95
Kerb close		5620-30
Open int.	20,882	
Total daily turnover	3,986	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040-41	1064-65
Previous	1034-36	1058-60
High/low		1069/1060
AM Official	1040-41	1064.5-65.0
Kerb close		1066-67
Open int.	102,058	
Total daily turnover	19,048	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2884-85	2879-80
Previous	2880-81	2873-74
High/low	2890	2885/2873
AM Official	2890-91	2883-84
Kerb close		2879-80
Open int.	232,802	
Total daily turnover	39,212	

■ LME AM Official £/$ rate: 1.5763
LME Closing £/$ rate: 1.5825

Spot:1.5820 3 mths:1.5802 6 mths:1.5778 9 mths:1.5746

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	136.90	+0.75	135.90	135.10	1,044	149
Mar	133.40	+0.05	134.40	133.15	20,875	5,317
Apr	131.85	-	131.95	131.95	1,360	17
May	130.70	+0.20	131.70	130.50	13,978	2,283
Jun	129.20	+0.10	129.50	129.20	695	24
Jul	127.20	-	128.20	127.20	4,181	186
Total					51,331	8,882

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	378.80-379.00		
Opening	379.00-379.40		
Morning fix	379.00	239.919	472.045
Afternoon fix	378.65	240.082	474.250
Day's High	379.20-379.60		
Day's Low	378.50-378.90		
Previous close	379.25-379.55		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.84	6 months	5.39
2 months	4.94	12 months	5.87
3 months	5.00		

Silver Fix	p/troy oz.	US cts equiv.
Spot	302.30	477.75
3 months	306.75	484.25
6 months	312.10	491.90
1 year	324.65	509.25

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	239-242
Maple Leaf	389.35-391.80	
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	378.6	-	379.2	378.5	383	14
Mar	379.2	-	-	-	22	-
Apr	380.6	-	381.5	380.5	89,807	29,505
Jun	383.9	-	384.9	383.8	29,092	551
Aug	387.8	-	388.4	388.3	16,158	210
Oct	391.7	-	-	-	4,891	1
Total					170,483	30,499

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	415.3	-1.9	418.0	414.5	15,807	1,307
Jul	418.1	-2.0	422.8	420.0	5,455	56
Oct	423.4	-2.0	426.5	426.5	1,162	8
Jan	427.4	-2.0	-	-	348	8
Total					22,779	1,389

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	157.50	+0.25	157.75	157.25	2,078	348
Jun	159.50	+0.25	160.00	159.50	4,746	155
Sep	160.90	+0.25	-	-	431	5
Dec	162.20	+0.25	-	-	53	-
Total					7,308	508

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	473.4	-3.1	-	-	-	-
Mar	473.8	-3.2	477.5	473.5	47,548	28,186
Apr	476.3	-3.2	-	-	-	-
May	479.1	-3.2	483.5	478.5	31,426	8,149
Jul	484.5	-3.2	489.0	485.0	12,869	269
Sep	489.9	-3.2	494.0	490.0	10,934	2
Total					149,258	32,619

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.86	-0.05	18.86	18.72	30,560	29,444
Apr	18.67	-0.06	18.68	18.58	93,708	51,125
May	18.49	-0.03	18.49	18.38	48,190	14,852
Jun	18.31	-0.04	18.31	18.21	36,624	7,713
Jul	18.13	-0.09	18.16	18.12	18,208	3,208
Aug	18.04	-0.07	18.05	18.04	12,980	1,449
Total					386,446	115,891

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	16.98	+0.01	17.03	16.90	76,124	10,026
May	16.87	-	16.91	16.81	23,687	3,678
Jun	16.80	-0.04	16.80	16.76	14,348	352
Jul	16.73	+0.03	16.75	16.68	11,575	469
Aug	16.70	+0.04	16.70	16.62	5,033	1,184
Sep	16.64	-	-	-	2,279	191
Total					149,861	16,439

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	47.70	-0.02	47.70	47.20	26,631	11,900
Apr	47.85	+0.13	47.85	47.35	23,195	8,401
May	47.90	+0.03	48.00	47.60	14,788	3,591
Jun	48.10	+0.13	48.10	47.80	10,038	2,842
Jul	48.00	-0.22	48.00	47.90	9,734	1,478
Aug	48.65	-0.12	48.65	48.40	4,231	141
Total					113,279	28,599

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	144.50	+0.25	144.75	143.50	43,370	6,136
Apr	145.75	+0.75	146.75	145.50	19,796	3,092
May	147.00	+0.50	147.00	146.00	9,400	394
Jun	147.25	+0.25	147.25	146.00	9,264	519
Jul	148.50	+0.50	148.50	147.50	3,222	98
Aug	150.00	+0.25	150.00	149.00	1,880	249
Total					97,572	11,062

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.433	+0.014	1.435	1.405	14,836	27,079
Apr	1.395	+0.008	1.400	1.380	25,298	8,267
May	1.450	+0.013	1.450	1.435	13,409	3,932
Jun	1.520	+0.013	1.520	1.510	12,270	1,527
Jul	1.575	+0.015	1.580	1.560	12,336	1,044
Aug	1.600	+0.015	1.605	1.590	10,668	544
Total					158,021	45,206

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	58.50	-0.26	58.65	58.00	19,239	15,975
Apr	59.70	-0.32	59.70	59.38	23,527	15,861
May	58.50	-0.36	58.55	58.30	17,417	5,058
Jun	57.65	-0.40	57.80	57.50	4,670	1,484
Jul	56.80	-0.35	57.20	56.80	3,205	674
Aug	56.25	-0.15	56.25	56.25	1,867	403
Total					74,322	39,732

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.80	-0.30	109.15	108.55	853	166
May	110.10	-	110.50	110.10	1,944	275
Jul	111.20	-	111.50	111.20	340	21
Sep	98.70	+0.05	-	-	218	-
Nov	98.65	-0.15	100.00	98.65	1,985	30
Jan	101.55	-0.05	101.60	101.55	378	11
Total					5,899	512

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	360/4	-6/2	366/0	360/0	24,430	4,761
May	356/6	-2/6	360/0	355/4	17,023	2,635
Jul	339/0	-1/2	340/0	337/0	22,140	2,818
Sep	343/0	-1/2	344/4	341/6	1,816	70
Dec	354/0	-0/4	354/4	352/0	1,517	105
Mar	358/0	-0/4	-	-	21	-
Total					66,969	10,369

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	232/2	-0/4	232/4	231/2	21,160	5,790
May	240/0	-0/6	240/2	239/2	25,258	5,400
Jul	246/4	-0/6	246/6	246/0	17,830	635
Sep	251/4	-1/0	252/0	251/2	880	130
Dec	256/2	-1/0	256/6	255/4	530	-
Mar	262/4	-1/0	263/0	262/0	220	-
Total					65,890	11,955

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.25	+0.10	103.25	103.00	279	94
May	104.75	+0.10	104.75	104.50	99	94
Sep	97.00	+0.15	97.00	97.00	102	10
Nov	99.25	-	99.25	99.25	328	10
Jan	101.80	+0.75	-	-	46	-
Mar	101.95	-	-	-	15	-
Total					867	208

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	557/0	+2/0	557/4	553/0	37,842	10,747
May	567/6	+2/2	568/0	563/4	36,450	8,841
Jul	577/0	+2/6	577/2	572/4	33,037	4,625
Aug	580/4	+3/2	581/4	577/0	4,435	699
Sep	582/4	+3/4	582/4	578/4	2,715	506
Nov	590/2	+4/0	591/0	584/4	19,013	2,234
Total					135,642	28,660

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	27.40	-0.04	27.44	27.20	28,914	5,188
May	26.37	-0.03	26.42	26.18	32,436	5,683
Jul	25.95	+0.07	26.02	25.75	19,100	2,818
Aug	25.68	+0.10	25.75	25.47	5,775	148
Sep	25.46	+0.07	25.49	25.30	4,946	231
Oct	25.25	+0.10	25.30	25.00	8,631	151
Total					186,617	15,704

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	154.6	+0.8	154.7	153.7	26,894	4,043
May	158.6	+0.7	158.8	157.7	27,536	2,874
Jul	162.9	+0.7	163.0	162.1	20,298	1,467
Aug	164.7	+0.5	164.9	164.2	6,940	183
Sep	166.7	+0.6	166.8	166.2	4,248	227
Oct	168.7	+0.7	168.8	168.1	8,160	81
Total					102,446	9,860

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	335.1	-	-	-	-	-
Apr	281.9	+0.1	285.0	281.9	710	77
May	312.0	+1.7	315.0	312.0	58	4
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					784	83

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	2020	-15	2026	2020	274	45
Mar	2033	-17	2048	2030	390	55
Apr	2031	-14	2080	2030	1,491	64
Jul	1783	-2	1800	1783	904	19
Oct	1780	-1	1785	1780	743	15
Jan	1785	+7	-	-	108	-
Total					3,910	198

	Close	Prev
BFI	2008	2002

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 4,800-4,950 (5,000-5,200). Bismuth: min. 99.99%, tonne lots 3.40-3.60 (3.45-3.70). Cadmium: min. 99.5%, 145-155 (155-165) cents a pound. Cobalt: MB free market, 99.8%, 29.00-30.00 (29.85-30.70); 99.3%, 27.00-28.00 (27.80-28.50). Mercury: min. 99.99%, $ per 76 lb flask, 130-150. Molybdenum: drummed molybdic oxide, 15.60-16.00. Selenium: min 99.5%, 3.95-4.50 (3.45-4.50). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 55-68 (50-65). Vanadium: min. 98%, cif, 4.60-4.90 (4.70-4.90). Uranium: Nuexco exchange value, 7.25.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1048	+11	1050	1038	25,393	909
May	1039	+10	1044	1029	24,233	3,027
Jul	1047	+11	1051	1038	11,429	243
Sep	1054	+9	1061	1048	12,017	594
Dec	1058	+9	1063	1051	13,718	424
Mar	1064	+9	1071	1060	13,880	371
Total					112,184	5,986

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1414	+34	1424	1380	898	129
May	1444	+34	1457	1425	39,852	2,350
Jul	1461	+32	1473	1444	12,491	222
Sep	1477	+33	1480	1480	4,919	98
Dec	1493	+33	1500	1470	5,293	110
Mar	1513	+33	1515	1499	6,560	3
Total					89,870	2,934

■ COCOA (ICCO) (SDR's/tonne)

Feb 20	Price	Prev. day
Daily	-	1025.59

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	3044	+46	3065	3000	5,162	1,632
May	3014	+55	3040	2950	12,193	4,068
Jul	2966	+67	2990	2910	4,857	1,039
Sep	2943	+67	2970	2880	4,294	719
Nov	2940	+70	2940	2886	1,182	33
Jan	2920	+77	-	-	182	-
Total					27,835	7,509

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	170.10	+0.75	173.15	169.10	2,773	1,589
May	170.00	+0.40	173.30	169.20	16,057	7,668
Jul	170.60	-	174.00	169.75	6,697	1,518
Sep	170.86	+0.90	174.00	170.50	4,269	305
Dec	170.60	+1.10	174.00	170.50	3,703	69
Mar	170.00	+1.25	-	-	404	1
Total					33,984	11,170

■ COFFEE (ICO) (US cents/pound)

Feb 20	Price	Prev. day
Comp. daily	-	154.68
15 day average	-	147.75

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.88	-	14.88	14.82	925	70
May	14.90	-0.02	-	-	860	-
Jul	14.28	-	-	-	2,300	-
Oct	13.23	-	-	-	-	-
Jan	13.20	-	-	-	-	-
Total					6,895	70

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	401.2	-0.5	402.3	400.7	9,211	1,030
Aug	382.7	-1.0	383.7	382.2	6,372	382
Oct	349.7	-0.4	350.6	349.4	2,301	490
Dec	344.0	-1.4	-	-	217	-
Mar	341.0	-1.4	-	-	598	-
May	340.8	-1.5	-	-	210	-
Total					18,914	1,902

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.79	-0.01	14.80	14.72	29,297	12,592
May	14.63	-0.06	14.68	14.59	52,108	14,891
Jul	13.65	-0.09	13.71	13.62	33,628	4,828
Oct	12.90	-0.15	13.00	12.90	34,048	1,506
Mar	12.52	-0.05	12.53	12.50	10,234	654
May	12.42	-0.05	12.42	12.38	2,443	40
Total					164,712	34,634

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	98.48	+2.00	98.48	96.70	6,075	3,568
May	97.56	+2.00	97.58	95.56	25,834	5,955
Jul	95.15	+2.00	95.15	93.70	15,676	3,024
Oct	83.13	+1.20	83.50	82.20	5,392	996
Dec	76.35	+0.37	76.58	75.98	19,845	2,657
Mar	77.25	+0.35	77.50	76.90	2,282	147
Total					75,058	16,358

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	101.90	-2.10	103.90	101.50	7,605	2,725
May	106.80	-2.15	107.90	105.70	8,245	1,410
Jul	109.75	-2.25	111.60	109.75	3,213	1,494
Sep	113.50	-1.75	115.25	113.25	2,801	60
Nov	113.05	-0.95	113.00	112.75	2,040	22
Jan	114.00	-1.45	115.00	114.00	1,103	49
Total					25,285	5,751

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 21	Feb 20	month ago	year ago
2287.2	2286.9	2282.2	1794.4

■ CRB Futures (Base: 1967=100)

Feb 20	Feb 17	month ago	year ago
-	235.03	235.33	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.750	-0.150	74.975	74.450	2,376	1,896
Apr	73.325	-0.525	73.725	72.925	43,739	3,421
Jun	68.775	-0.350	68.800	68.100	16,555	1,329
Aug	64.250	-0.025	64.275	63.700	8,414	494
Oct	65.175	-	65.175	64.700	1,259	24
Dec	66.100	-0.075	66.175	65.850	992	20
Total					74,876	7,281

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.000	+0.200	40.900	39.100	915	732
Apr	38.450	+0.250	38.500	37.700	14,036	2,101
Jun	44.600	+0.275	44.650	44.025	7,286	841
Aug	43.050	+0.025	43.250	42.850	2,532	114
Oct	40.075	+0.025	40.250	40.000	2,432	221
Dec	41.000	-0.075	41.100	40.750	788	35
Total					30,947	3,945

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	43.025	+0.750	43.150	41.725	432	103
Mar	42.700	+0.025	42.875	41.150	3,084	718
May	43.500	+0.275	43.600	41.800	3,458	441
Jul	43.775	+0.200	43.850	42.250	1,531	50
Aug	40.900	+0.975	41.150	39.800	422	9
Feb	51.100	-	51.100	50.000	65	4
Total					8,981	1,325

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1850	142	191	64	104
1900	115	165	85	127
1950	91	142	111	152
■ COPPER (Grade A) LME	May	Aug	May	Aug
2700	207	174	32	35
2800	141	122	57	122
2900	88	82	102	179
■ COFFEE LCE	Mar	May	Mar	May
2700	353	403	39	137
2750	315	372	51	156
2800	279	343	65	177
■ COCOA LCE	Mar	May	Mar	May
1025	51	75	37	53
1050	39	63	50	66
1075	30	63	66	81
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	63	81	9	53
1700	26	58	29	80
1750	11	41	61	113

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.57-6.64z	-0.035
Brent Blend (dated)	$17.06-7.08	-0.355
Brent Blend (Apr)	$16.96-6.98	-0.035
W.T.I. (1pm est)	$18.62-8.63z	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	
Gas Oil	$147-148	
Heavy Fuel Oil	$107-109	
Naphtha	$171-172	+1.5
Jet fuel	$165-167	
Diesel	$151-152	

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

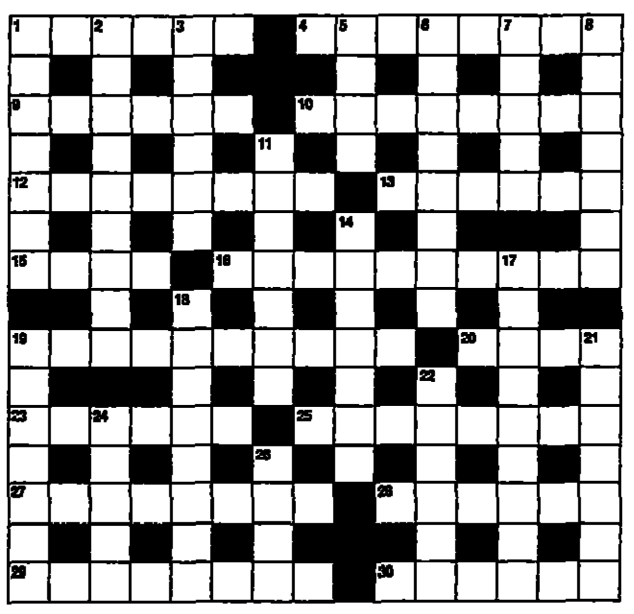
Gold (per troy oz)♣	$378.80	-0.60
Silver (per troy oz)♣	478.0c	-2.5
Platinum (per troy oz.)	$417.00	-0.50
Palladium (per troy oz.)	$157.00	-0.25
Copper (US prod.)	140.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.82m	+0.13
Tin (New York)	281.50c	+5.00
Cattle (live weight)†	121.70p	+0.41*
Sheep (live weight)†♦	121.62p	+2.18*
Pigs (live weight)	84.06p	-0.02*
Lon. day sugar (raw)	$361.3	
Lon. day sugar (wte)	$408.2	+0.7
Tate & Lyle export	£343.0	
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	113.5p	+0.5
Rubber (Apr)♥	113.5p	+0.5
Rubber (KL RSS No1)	442.5m	
Coconut Oil (Phil)§	$643.0y	
Palm Oil (Malay.)§	$875.0z	+2.5
Copra (Phil)§	$416.0y	
Soyabeans (US)	£168.0q	
Cotton Outlook'A' index	102.15c	-0.10
Wooltops (64s Super)	532p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. x Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ◎ Prices are for previous day.

JOTTER PAD

CROSSWORD

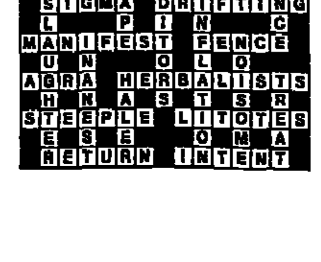
No.8,693 Set by DANTE



ACROSS
1 Lie back, having dined, whacked (6)
4 Girl belittled is without mercy (8)
9 A cheering word, for Henry perhaps? (6)
10 Kind of bank one might find in a wood (8)
12 Was partial to unusual instrument (4-4)
13 Menace from the rat (6)
15 Whistle to the cockney (4)
16 Furious because someone stepped on your toe? (7,3)
19 How to learn to dance in stages (4,2,4)
20 A clear, dry solution (4)
23 Pointless oriental festival (6)
25 Gets up, but it involves a scramble (8)
27 Kept alive the bread round? (6)
28 Held with an awkward grip (6)
29 Found to have arrived (6,2)
30 Figure artificial silk to be something colourful (6)

DOWN
1 He's best giving orders (7)
2 Inflowing currency (5,4)
3 Creatures from China and Japan, for example (6)
5 Fruit soothing nothing like a peach (4)
6 They don't believe he requires foreign capital (6)
7 The Spanish, Italian and English are the best (5)
8 Being badly hid, gets seen (7)
11 A stiff examination (7)
14 Requests a different variety of apples (7)
17 When goods are sold out (6,3)
18 Though he's not there he's proverbially conspicuous! (8)
19 Ready to accept a simple drink (7)
21 Pick out scattered cinders (7)
22 With a look, the little devil may injure one (6)
24 Absolutely diaphanous? (5)
26 Be a socially acceptable lover (4)

Solution 8,692



INTERNATIONAL CAPITAL MARKETS

Italian prices fall sharply on inflation fears

By Graham Bowley in London and Lisa Bransten in New York

Italian government bond prices turned sharply downwards yesterday after figures were released showing a marked increase in the rate of inflation.

Uncertainty surrounding the Dini government's mini-budget further undermined confidence, with dealers fearing that tax rises in the budget could add to inflationary pressures.

"The near-term inflation risk in Italy is mounting, which points to central bank interest rate hikes sooner rather than later," said Mr Ken Wattret, international economist at HSBC Greenwell.

The yield spread on Italian bonds over German bunds widened from 495 basis points to 508 points.

The March futures contract on Liffe fell by 0.92 points to 98.90.

■ Other European government bonds also fell, under-performing US Treasuries.

German bonds dropped after comments by the Bundesbank in its monthly bulletin that domestic price risks are rising.

Strong producer price data and uncertainty over the IG Metall wage talks also weighed on prices.

"Until we see further developments the bond market will remain vulnerable to bad news on the strike talks," said Mr Wattret.

The March bund futures contract on Liffe was down 0.21 to 90.45 in late trading. Mr Kirit Shah, at First Chicago, said it could fall to 90.20 or even lower over coming days.

■ UK gilt prices fell in line with the rest of Europe, with some nervousness ahead of today's auction of £2bn of 10-year bonds.

GOVERNMENT BONDS

There was little reaction in prices to the announcement by the UK Treasury of the introduction of an open market in gilt sale and repurchase agreements in January 1996.

Dealers welcomed the announcement and the move to allow gilt interest payments gross of tax, with tax paid quarterly in arrears.

The yield spread over bunds widened to 142 basis points. The long gilt future on Liffe was down $\frac{3}{16}$ to $101\frac{1}{32}$ in late trading.

■ French government bonds fell, with the yield spread over bunds widening by about 3 basis points to 61 points.

A new poll showing a further fall in prime minister Edouard Balladur's standing hit confidence.

Ms Mary Bloem, bond strategist at Paribas Capital Markets, said the yield spread over bunds could widen to 65 basis points if Mr Raymond Barre, the former centrist prime minister, enters the presidential election race.

The March futures contract on Matif settled at 111.62, down 0.46.

■ US Treasury prices were flat to lower yesterday morning as traders waited for signals about inflation and monetary policy expected to come from Congressional testimony today by Mr Alan Greenspan, chairman of the Federal Reserve.

At midday the benchmark 30-year Treasury was down $\frac{1}{32}$ at $100\frac{11}{32}$ to yield 7.590 per cent. At the short end of the market, the two-year note was unchanged at $100\frac{9}{32}$, yielding 7.041 per cent.

Mr Greenspan has been consistent in highlighting data showing price pressures at intermediate levels in the economy, and traders are waiting to see if he will give signals in his twice-yearly Humphrey-Hawkins testimony to Congress that he believes them to be easing

Many Wall Street economists still believe the Fed will tighten monetary policy at least once more this year – probably next month.

However, stock and bond investors have pushed those markets up, betting that inflation is under control without another rate increase, and late on Friday, Mr Alan Blinder, vice-chairman of the Fed, pointed to recent data he said suggest the economy may be slowing.

One factor putting pressure on the bond market was the dollar's continued slide against the D-Mark.

In morning trading the currency weakened to DM1.4769 from DM1.4820 late on Friday. The dollar gained some ground against the yen, however, rising to Y97.24 from Y97.15.

Matif link with DTB under fire

By Andrew Jack in Paris

Opposition is building to the planned electronic trading link connecting Matif, the French financial futures exchange, to the Deutsche Terminbörse, its equivalent in Frankfurt, it emerged yesterday.

An American market trader on *Matif in Paris has circulated* a petition among his colleagues calling for the exchange to stop two of its most important products being offered through the German exchange.

Mr John Morse, a "local", one of about 100 individuals who trade on their own behalf, said he had already gathered more than 600 signatures from others on the Matif expressing concern that the way the market is developing could jeopardise its future in competition with the London exchange.

The action comes ahead of a decision, due by the end of next month, by Matif to select two products to be offered to the DTB via electronic trading. The move is part of an agreement signed in December 1993 which has already led to trading in Paris of two German products.

Matif is consulting its members on which products to select, ahead of a formal announcement at the end of March. One is almost certain to be the Ecu contract and the other, either the CAC-40 or the Pibor. The *medium-term franc* contract was also considered, but has not proved popular and is unlikely to be offered.

Mr Morse has circulated a formal petition among member firms suggesting that the move to electronic trading will make it easier for traders to by-pass Paris and trade in other centres – notably in London.

"Offering the CAC-40 or Pibor in Frankfurt would be the beginning of the end of Paris as a financial centre," said Mr Morse. "If we want to keep a market in Paris, we have to keep it localised and open-outcry. Electronic trading will destroy any competitive position."

However, Matif said it was contractually tied to offering two products. It argued that screen-based trading links with different European markets would increase the overall level of volume, and offered traders in Paris the chance of greater reciprocal access to other products elsewhere.

It also stressed that it was far from certain whether ultimately it would be possible for trading screens offering French products to be placed in the London market.

Depfa Bank raises DM1bn through five-year offering

By Martin Brice

Dollar bond issuance largely stayed on hold in the euromarkets yesterday, partly due to the lack of opportunities for borrowers to swap liabilities.

Attention moved to other currencies, with the D-Mark and sterling areas busy.

The biggest deal was the five-year DM1bn for Depfa Bank, which used Commerzbank for the fourth consecutive time to bring a deal. Commerzbank was joint bookrunner with WestLB and each bank was believed to have sold around DM100m of the bonds. Commerzbank expects all the bonds to go before the first coupon date in four weeks.

Mr Frank Reubland, Depfa's treasurer, said demand came from French and UK institutions, and from retail investors in the Benelux region.

He said domestic interest in the D-Mark market was not strong but international interest had grown, partly due to emerging market troubles which have given the D-Mark a "safe haven" status.

The bonds carry a coupon of 7¼ per cent, and Mr Reuhland said part of the funds were swapped, which gave the bank overall funding from the deal of "below Libor". The bonds came at 28 basis points over the comparable five-year bond, and were steady around that when freed to trade.

INTERNATIONAL BONDS

Caisse des Dépòts chalked up a first when it lead-managed its first D-Mark deal, a DM500m five-year transaction carrying a 7 per cent coupon for Crédit Local de France. CDC was joint bookrunner, with WestLB.

The deal offered a lower coupon than the Depfa deal, and came at a higher price. However, Crédit Local is rated AAA, whereas Depfa is Aa3.

CDC was awarded the mandate yesterday and had a series of large pre-orders from UK and French investors attracted by the rating. It brought the deal at 20 basis points over the comparable five-year bond because similar deals for KfW and L-Bank were trading around 17 or 18 over. "A spread tighter than 20 would have been dangerous," it said.

Investors in the sterling sector were offered two long-dated deals, each for £100m. The Bank of Ireland brought a 10-year deal with a 9¾ per cent coupon via BZW, which said it was oversubscribed within an hour of launch.

A Bank of Ireland official said the funds would be used to maintain capital adequacy ratios affected by both a small US acquisition and the amortisation of subordinated debt. The bank's year-end is March 31. Under Bank for International Settlements rules, when a subordinated issue is within five years of its final maturity, the amount qualifying as capital is reduced by 20 per cent each year to maturity.

De Beers Centenary Finance, which includes all the non-South African interests of the De Beers Group, brought a rare 25-year deal which also had a 9¾ per cent coupon.

Book-runner Hambros said the deal augmented a £150m 15-year bond brought in February, which came at 165 over the gilt and tightened in to 150. Some investors in that bond were looking to buy longer-dated paper, and De Beers was looking to raise a total of £250m.

The yield curve on gilts fell by 13 basis points between the 15-year and 25-year area, and Hambros wanted to put a yield on the new bond which was flat to the previous issue, so it brought the deal at 165 over the gilt.

● Syndicate was broken overnight in Tokyo on the Kingdom of Spain's Y150bn 10-year bond brought on Monday by IBJ. The bonds were brought at a spread of 13 basis points over the No 177 Japanese government bond and held that level when freed to trade. IBJ said further sales were made in Tokyo after London closed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Autobacs Seven Co.(a)φ	100	4.125	100.00	Mar.1999	2.25	- -	Nomura International
Citi Investments	80	11.00#	100.817R	Mar.1996	undiscl.	+350(T-bill)	Citibank International
STERLING							
De Beers Centenary Finance(b)	100	9.75#	95.904R	Dec.2020	0.625R	+165(8¾%-17)	Hambros Bank
Bank of Ireland	100	9.75	99.246R	Mar.2005	0.50R	+95(8½%-05)	Barclays de Zoete Wedd
D-MARKS							
Depfa Finance	1bn	7.125	99.75R	Mar.2000	0.25R	+28(7%-99)	Commerzbank/ WestLB
Crédit Local de France	500	7.00	99.47R	Mar.2000	0.25R	+20(7%-99)	CDC Frankfurt/ WestLB
Asfinag	350	7.50	101.70	Mar.2005	2.75	-	Dresdner/ SBC Frankfurt
SWISS FRANCS							
SXL Corp.(a,c)*φ	200	2.00	100.00	Mar.1999	1.625	-	Credit Suisse
Dresdner Finance	125	5.375	102.75	Apr.1999	1.75	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
Commerzbank	3bn	8.25	102.50	May.2005	2.00	-	BGL/ Kredietbank Lux.
Crédit Foncier de France	2bn	8.125	102.50	May.2003	2.00	-	BGL/ Kredietbank Lux.
Aegon(b)	2bn	7.75	102.15	Dec.1999	1.75	-	ABN Amro Lux./Paribas Lux.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. φWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 28/2/95. b) Short 1st coupon. c) Long 1st coupon.

S African loan increased

By Martin Brice

The $75m syndicated loan for First National Bank of Southern Africa has been increased to $200m after being oversubscribed 2.8 times.

Pricing is expected to set a benchmark for other South African borrowers in the international credits market.

The revolving credit carries a margin of 55 basis points over Libor, plus maximum participation fees of 10 basis points for an amount of $10m. There is a commitment fee of 20 basis points. It is believed to be the first public syndicated loan for South Africa to be structured without recourse to trade receivables.

The loan was arranged by Fuji Bank, and 40 other international banks joined the deal: 13 Asian, 21 European, five Middle Eastern and the Republic National Bank of New York. Henry Ansbacher advised First National.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	08/04	93.0000	+0.400	10.18	10.29	10.30
Austria		7.500	01/05	98.8200	-0.260	7.67	7.68	7.78
Belgium		7.750	10/04	96.1800	-0.020	8.33	8.33	8.48
Canada *		9.000	12/04	100.8500	+0.550	8.86	8.95	9.45
Denmark		7.000	12/04	87.8500	-0.300	8.90	8.89	9.11
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.1700	-0.430	8.05	8.01	8.28
Germany Bund		7.375	01/05	99.5000	-0.230	7.44	7.45	7.59
Ireland		6.250	10/04	82.9500	-0.200	8.80†	8.79	8.78
Italy		9.500	01/05	84.9100	-0.870	12.17	11.95	12.16
Japan	No 119	4.800	06/99	103.6840	-0.020	3.83	3.91	3.87
	No 164	4.100	12/03	97.2920	+0.154	4.53	4.61	4.61
Netherlands		7.250	10/04	97.8100	-0.220	7.57	7.58	7.72
Portugal		8.875	01/04	85.2000	-	11.65	11.65	11.64
Spain		10.000	02/05	90.5200	-0.180	11.63	11.46	12.06
Sweden		6.000	02/05	71.6590	+0.146	10.78	10.74	11.24
UK Gilts		8.000	08/99	90-14	-5/32	8.64	8.67	8.61
		8.500	12/05	98-15	-10/32	8.72	8.72	8.69
		9.000	10/08	102-14	-13/32	8.69	8.67	8.66
US Treasury *		7.500	02/05	100-17	+1/32	7.42	7.54	7.82
		7.625	02/25	100-12	-1/32	7.59	7.89	7.89
ECU (French Govt)		6.000	04/04	84.5900	-0.340	8.48	8.43	8.72

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.93	Two year	7.06
Prime rate	9	Two month	6.01	Three year	7.20
Broker loan rate	$6\frac{1}{2}$	Three month	5.87	Five year	7.33
Fed funds	6	Six month	6.25	10-year	7.43
Fed funds at intervention	-	One year	6.63	30-year	7.60

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.90	111.62	-0.48	111.90	111.54	132,292	148,222
Jun	111.06	110.78	-0.44	111.06	110.70	9,206	16,984
Sep	110.36	110.10	-0.42	110.36	110.36	2	3,748

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
111	0.67	1.19	-	0.07	1.43	-
112	0.09	0.74	-	0.47	1.95	-
113	0.02	0.41	-	1.34	-	-
114	-	0.21	-	-	-	-
115	-	0.09	0.22	-	-	-

Est. vol. total, Calls 20,939 Puts 15,439. Previous day's open int., Calls 207,884 Puts 221,782.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.64	90.45	-0.21	90.66	90.38	113062	199125
Jun	90.12	89.94	-0.16	90.12	89.86	14931	23767

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9000	0.45	0.52	0.73	0.92	0	0.58	0.79	0.98
9050	0	0.32	0.52	0.70	0.06	0.88	1.06	1.28
9100	0	0.18	0.36	0.51	0.55	1.24	1.42	1.57

Est. vol. total, Calls 14656 Puts 10163. Previous day's open int., Calls 219841 Puts 172676

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.80	98.90	-0.92	99.85	98.81	50370	49850
Jun	98.40	97.84	-0.95	98.40	97.80	1104	3884

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9750	1.95	2.15	1.61	2.81
9800	1.69	1.94	1.85	3.10
9850	1.44	1.74	2.10	3.40

Est. vol. total, Calls 1534 Puts 2133. Previous day's open int., Calls 9912 Puts 6160

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.00	84.90	-0.13	85.00	84.81	33,502	53,373
Jun	84.35	84.47	-0.05	84.45	84.35	341	1,442

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-06	101-01	-0-10	101-09	100-30	40793	88617
Jun	101-14	101-06	-0-09	101-14	101-05	5080	4941

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
101	0-02	1-01	1-24	1-45	0	0-53	1-12	1-33
102	0	0-35	0-58	1-14	0-62	1-23	1-46	2-02
103	0	0-17	0-35	0-53	1-62	2-05	2-23	2-41

Est. vol. total, Calls 3312 Puts 6144. Previous day's open int., Calls 45712 Puts 64723

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.86	81.70	-0.36	81.86	81.68	3,303	6,230
Jun	-	81.50	-0.36	-	-	-	1,658

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-15	102-14	-0-03	102-18	102-11	521,128	328,298
Jun	102-00	101-30	-0-03	102-01	101-27	19,222	56,681
Sep	101-15	101-19	-0-06	101-20	101-15	1,687	8,432

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	109.34			109.40	109.33	884	0
Jun	108.60			108.62	108.56	2854	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 21	Day's change %	Mon Feb 20	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	118.10	-0.07	118.94	1.04	2.53
2 5-15 years (22)	138.66	-0.24	139.00	1.86	2.06
3 Over 15 years (9)	153.19	-0.35	153.72	0.37	4.05
4 Irredeemables (6)	177.23	-0.67	178.43	3.32	0.00
5 All stocks (60)	135.34	-0.21	135.90	1.36	2.55
Index-linked					
6 Up to 5 years (2)	188.57	-0.01	188.58	0.55	1.46
7 Over 5 years (11)	173.77	-0.13	173.99	0.70	0.80
8 All stocks (13)	174.40	-0.11	174.60	0.69	0.86

	Low coupon yield Feb 21	Low Feb 20	Low Yr. ago	Medium coupon yield Feb 21	Medium Feb 20	Medium Yr. ago	High coupon yield Feb 21	High Feb 20	High Yr. ago
5 yrs	8.67	8.62	6.20	8.70	8.65	6.42	8.88	8.81	6.52
15 yrs	8.59	8.55	6.93	8.71	8.66	7.05	8.91	8.87	7.25
20 yrs	8.55	8.50	7.04	8.71	8.66	7.05	8.82	8.78	7.26
Irred.†	8.60	8.54	7.13						

Index-linked	Inflation 5% Feb 21	Feb 20	Yr. ago	Inflation 10% Feb 21	Feb 20	Yr. ago
Up to 5 yrs	3.77	3.75	2.25	2.38	2.36	1.33
Over 5 yrs	3.90	3.89	3.17	3.70	3.69	2.99

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Yr ago	High*	Low*
Govt. Secs. (UK)	90.67	90.89	91.06	91.10	91.07	118.8	107.04	89.54
Fixed Interest	109.69	109.82	109.74	109.82	109.61	109.2	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14
Gilt Edged bargains	77.0	79.1	104.6	157.1	195.3
5-day average	122.6	125.7	127.5	124.6	112.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$90\frac{1}{2}$	$90\frac{3}{4}$	$-\frac{1}{8}$	8.12
Alberta Province $7\frac{5}{8}$ 98	1000	$99\frac{5}{8}$	100		7.73
Austria $8\frac{1}{2}$ 00	400	$103\frac{1}{4}$	$103\frac{5}{8}$	$-\frac{1}{8}$	7.68
United Kingdom $7\frac{1}{4}$ 97	5500	$101\frac{1}{8}$	$101\frac{5}{8}$	$-\frac{1}{8}$	6.53
Volkswagen Intl Fin 7 03	1000	95	$95\frac{1}{2}$	$+\frac{1}{4}$	7.84
World Bank 0 15	2000	$22\frac{3}{4}$	$23\frac{1}{8}$	$+1\frac{1}{8}$	7.37
World Bank $5\frac{7}{8}$ 03	3000	$89\frac{1}{8}$	$89\frac{1}{2}$	$-\frac{1}{8}$	7.58
Abbey Natl Treasury 8 03 £	1000	$91\frac{7}{8}$	$92\frac{1}{8}$	$-\frac{1}{8}$	9.47
Alliance Leics $11\frac{3}{4}$ 97 £	100	$104\frac{7}{8}$	$105\frac{1}{4}$	$-\frac{1}{8}$	8.81
British Land $8\frac{7}{8}$ 23 £	150	$88\frac{3}{4}$	$89\frac{1}{8}$	$-\frac{1}{8}$	10.33
Denmark $6\frac{3}{4}$ 98 £	800	$93\frac{3}{4}$	$93\frac{7}{8}$		8.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Int	Red	Price £	+ or –	1994/95 High	1994/95 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Lira sinks toward L1,100 level against D-Mark

Inflation worries and continuing concern about the government's ability to deliver economic reform yesterday drove the lira to a record low against the D-Mark, *writes Philip Gawith.*

The lira fell to L1,098.25 before Bank of Italy intervention helped it recover to a London close of L1,092. The Bank of Italy later raised its discount rate by 75 basis points to 8.25 per cent.

Renewed concern about the presidential succession in France also pushed the franc to a 15 month low. *It closed at* FFr3.484, from FFr3.48, after touching a low of FFr3.4872.

The dollar received a muted fillip from the announcement that agreement had been reached on conditions for the $20bn US aid programme for Mexico. It closed slightly firmer at DM1.4796, from DM1.4729. *It also rose against* the yen, to close at Y97.425 from Y96.925.

But the dominant market trend of recent days – generalised *D-Mark strength* – remained intact.

The peso, however, benefited from the aid announcement, finishing at 5.405 pesos, from 5.65 pesos, against the dollar.

In South Africa heightened speculation about the merging of the country's two currencies saw the commercial/financial rand discount shrink to a historic low of 6.4 per cent, before profit-taking drove it back to a close of 7.2 per cent. The finrand closed at R3.835, and the commercial rand at R3.5603.

■ The sell-off in the lira was prompted by a higher than expected Italian inflation figure for February. But politics remains the main concern. Recent developments have left doubts as to whether the new government, under *Mr Lamberto Dini*, will be able to muster sufficient political support *to tackle difficult issues like* the size of state spending, and pensions reform.

In France *the specific factor* behind the weakness of the franc was the ever-improving performance in the opinion polls of Mr Lionel Jospin, the socialist candidate. He has made large inroads into the lead established by Mr Edouard Balladur, the prime minister and candidate of the right.

Mr Michael Burke, international economist at Citibank in London, commented: "Mr Balladur is regarded as *franc fort's* best friend, and anything that looks like disturbing that is an excuse to sell the franc."

■ The outlook for the dollar remains bearish. Traders report that the general direction of people establishing new *positions on the dollar is to set* up "short" positions (betting on a further fall).

Trade at the moment is dominated by short-term operators, with longer-term investors on the sidelines.

The focus today will shift to the Humphrey-Hawkins testimony of Mr Alan Greenspan, the chairman of the Federal Reserve. Best expectations are *that he will strike a hawkish* tone about inflation, though *what direction this will give* the dollar is unclear.

Mr Greenspan's task will *have been complicated by* recent comments from his deputy, Mr Alan Blinder. He played on *market fears* that Fed monetary policy has been too lax by saying he thought it was close to achieving success in its fight against inflation.

He also said the central bank should, when necessary, loosen policy to avoid recession.

■ Both the tone and content of comments from Mr Chris Stals, governor of the South African Reserve Bank, convinced the market that the *finrand* is likely to scrapped around the time of the budget, on March 15.

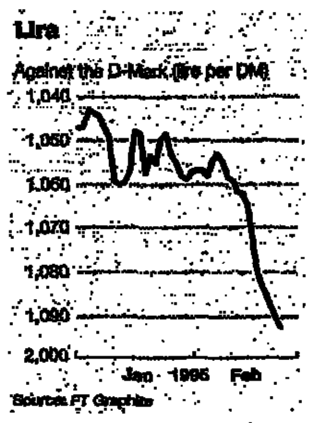
Mr Christopher Tinker, chief economist at Standard Chartered in London, said the authorities appeared to be giving the markets a clear signal to take the process forward. He *warned that if the authorities* did not act soon, "the market *will get very worried about* whether they have the political will to do what they have been *committed to all along.*"

Concern was expressed in some quarters that market expectations were *running* some way in front of political debate, both within the cabinet and the ANC, the largest political party.

■ The Bank of England cleared a £550m money market shortage at established rates. Three month LIBOR was at 6⅞ per cent. The pound finished firmer against the D-Mark, at DM2.339, from DM2.3327, but ended *slightly lower against* the dollar, at $1.5809, from $1.5838.

Lira

Against the D-Mark (lire per DM)



Source: FT Graphite

■ **Pound in New York**

Feb 21	Latest	Prev. close
£ spot	1.5820	1.5805
1 mth	1.5814	1.5799
3 mth	1.5801	1.5786
1 yr	1.5702	1.5695

■ **OTHER CURRENCIES**

Feb 21	£	$
Hungary	180.726 - 180.941	114.340 - 114.440
Iran	2758.00 - 2782.00	1748.00 - 1750.00
Kuwait	0.4707 - 0.4710	0.2978 - 0.2979
Poland	3.8156 - 3.8199	2.4140 - 2.4160
Russia	6916.40 - 6921.80	4375.00 - 4378.00
U.A.E.	5.8048 - 5.8074	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.4733	+0.0563	667 - 798	16.4875	16.3797	16.4608	0.9	16.4271	1.1	-	-	108.2
Belgium	(BFr)	48.1848	+0.1417	546 - 149	48.2250	47.9430	48.1348	1.2	48.0198	1.4	47.4798	1.5	108.2
Denmark	(DKr)	9.2392	+0.0241	347 - 436	9.2443	9.1868	9.2345	0.6	9.2229	0.7	9.163	0.8	107.4
Finland	(FM)	7.2260	-0.0059	203 - 316	7.2630	7.1920	-	-	-	-	-	-	85.2
France	(FFr)	8.1477	+0.0276	456 - 498	8.1552	8.0961	8.141	1.0	8.1303	0.9	8.0667	1.0	108.0
Germany	(DM)	2.3390	+0.0063	382 - 397	2.3427	2.3258	2.3363	1.4	2.3291	1.7	2.2937	1.9	110.7
Greece	(Dr)	369.016	+1.746	880 - 155	373.827	365.570	-	-	-	-	-	-	69.1
Ireland	(I£)	1.0041	-0.0005	034 - 047	1.0081	0.9987	1.0035	0.7	1.0026	0.6	1.0012	0.3	97.2
Italy	(L)	2553.98	+25.98	346 - 450	2568.79	2520.77	2557.83	-1.8	2568.33	-2.2	2617.03	-2.5	71.8
Luxembourg	(LFr)	48.1848	+0.1417	546 - 149	48.2250	47.9430	48.1348	1.2	48.0198	1.4	47.4798	1.5	108.2
Netherlands	(Fl)	2.6226	+0.0065	206 - 246	2.6262	2.6063	2.6194	1.4	2.6123	1.6	2.5734	1.9	108.2
Norway	(NKr)	10.2918	+0.0322	886 - 950	10.3127	10.2200	10.2905	0.2	10.2887	0.1	10.2764	0.1	98.7
Portugal	(Es)	242.645	+0.836	512 - 778	242.778	240.649	243.245	-3.0	244.895	-3.7	-	-	96.0
Spain	(Pta)	204.594	+0.868	498 - 689	204.777	203.837	204.904	-1.8	205.624	-2.0	209.124	-2.2	79.1
Sweden	(SKr)	11.5715	+0.0212	618 - 812	11.5874	11.5054	11.5768	-0.5	11.613	-1.4	11.6985	-1.1	80.7
Switzerland	(SFr)	1.9771	+0.0042	761 - 780	1.9797	1.9674	1.9726	2.7	1.9634	2.8	1.9159	3.1	109.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.0
Ecu	-	1.2482	+0.0045	477 - 486	1.2494	1.2392	1.2476	0.6	1.2464	0.6	1.2388	0.8	-
SDR†	-	0.942395	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5810	-0.003	806 - 813	1.5839	1.5742	-	-	-	-	-	-	-
Brazil	(Cr)	1.3303	-0.0009	293 - 313	1.3307	1.3252	-	-	-	-	-	-	-
Canada	(C$)	2.2111	-0.0147	103 - 118	2.2162	2.1909	2.2145	-1.8	2.2216	-1.9	2.2332	-1.0	81.9
Mexico	(New Peso)	8.5445	-0.4037	036 - 854	8.7737	8.4785	-	-	-	-	-	-	-
USA	($)	1.5809	-0.0029	806 - 811	1.5837	1.5739	1.5803	0.5	1.5791	0.5	1.5697	0.7	94.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1319	-0.0163	308 - 329	2.1354	2.1306	2.1338	-1.0	2.1403	-1.6	2.1633	-1.5	85.0
Hong Kong	(HK$)	12.2205	-0.0225	177 - 232	12.2423	12.1681	12.2195	0.1	12.246	-0.8	12.1457	0.6	-
India	(Rs)	49.6111	-0.0712	953 - 268	49.6610	49.3770	-	-	-	-	-	-	-
Israel	(Shk)	4.7563	-0.0167	513 - 612	4.7891	4.7329	-	-	-	-	-	-	-
Japan	(Y)	154.014	+0.509	950 - 078	154.200	153.310	153.484	4.1	152.349	4.3	148.354	5.0	149.9
Malaysia	(M$)	4.0374	-0.0093	359 - 388	4.0417	4.0225	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4894	-0.0216	880 - 907	2.4929	2.4860	2.4934	-1.9	2.5024	-2.1	2.5315	-1.7	97.7
Philippines	(Peso)	39.6849	+0.0536	995 - 702	39.9702	39.7995	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9288	-0.0111	274 - 298	5.9390	5.9028	-	-	-	-	-	-	-
Singapore	(S$)	2.2975	-0.0027	963 - 986	2.2987	2.2884	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6282	+0.0268	261 - 303	5.6348	5.5677	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.0626	-0.0143	458 - 793	6.0793	5.9895	-	-	-	-	-	-	-
South Korea	(Won)	1246.90	-7.83	662 - 717	1251.28	1240.47	-	-	-	-	-	-	-
Taiwan	(T$)	41.6853	-0.0923	659 - 746	41.7376	41.5228	-	-	-	-	-	-	-
Thailand	(Bt)	39.4423	-0.0881	202 - 643	39.5320	39.3110	-	-	-	-	-	-	-

†SDR rates for Feb 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4205	+0.054	180 - 230	10.4500	10.3630	10.41	1.2	10.388	1.2	10.2695	1.4	105.9
Belgium	(BFr)	30.4803	+0.1453	660 - 945	30.5800	30.3620	30.4578	0.9	30.4103	0.9	30.2453	0.8	107.7
Denmark	(DKr)	5.8444	+0.0259	425 - 463	5.8628	5.8196	5.8426	0.4	5.8394	0.3	5.8314	0.2	106.3
Finland	(FM)	4.5710	+0.0047	681 - 738	4.6133	4.5530	4.5682	0.7	4.564	0.6	4.5535	0.4	83.7
France	(FFr)	5.1540	+0.0268	535 - 545	5.1635	5.1243	5.1517	0.5	5.149	0.4	5.1385	0.3	107.3
Germany	(DM)	1.4796	+0.0067	793 - 798	1.4868	1.4722	1.4784	1.0	1.4753	1.1	1.4611	1.3	109.6
Greece	(Dr)	233.430	+1.53	380 - 480	236.300	232.100	235.83	-12.3	240.18	-11.6	258.43	-10.7	68.4
Ireland	(I£)	1.5745	-0.0021	737 - 752	1.5798	1.5700	1.5751	-0.4	1.5739	0.2	1.5713	0.2	-
Italy	(L)	1615.58	+18.37	550 - 565	1621.50	1597.50	1618.63	-2.3	1626.58	-2.7	1667.08	-3.2	71.8
Luxembourg	(LFr)	30.4803	+0.1453	660 - 945	30.5800	30.3520	30.4578	0.9	30.4103	0.9	30.2453	0.8	107.7
Netherlands	(Fl)	1.6590	+0.0071	580 - 600	1.6662	1.6515	1.6577	1.0	1.6544	1.1	1.6393	1.2	107.4
Norway	(NKr)	6.5103	+0.0323	093 - 113	6.5326	6.4780	6.5046	1.1	6.4988	0.7	6.4878	0.7	97.8
Portugal	(Es)	153.490	+0.81	430 - 550	153.750	152.700	153.885	-3.1	154.815	-3.5	159.065	-3.6	96.0
Spain	(Pta)	129.420	+0.785	380 - 460	129.600	128.630	129.665	-2.3	130.225	-2.5	133.22	-2.9	78.8
Sweden	(SKr)	7.3198	+0.0288	148 - 248	7.3561	7.2794	7.33	-1.7	7.3518	-1.7	7.4433	-1.7	80.1
Switzerland	(SFr)	1.2506	+0.0049	502 - 510	1.2570	1.2447	1.2482	2.3	1.2434	2.3	1.2204	2.4	108.6
UK	(£)	1.5809	-0.0029	806 - 811	1.5837	1.5739	1.5803	0.5	1.5791	0.5	1.5697	0.7	86.6
Ecu	-	1.2668	-0.0069	663 - 668	1.2735	1.2642	1.2668	-0.2	1.267	-0.1	1.2674	-0.1	-
SDR†	-	1.48710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-0.0001	000 - 001	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(Cr)	0.8415	+0.001	410 - 420	0.8420	0.8410	-	-	-	-	-	-	-
Canada	(C$)	1.3987	-0.0067	984 - 989	1.4038	1.3915	1.4014	-2.3	1.4071	-2.4	1.4227	-1.7	80.4
Mexico	(New Peso)	5.4050	-0.245	800 - 300	5.4500	5.3800	5.4058	-0.2	5.4062	-0.1	5.4076	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3484	-0.0079	481 - 490	1.3550	1.3481	1.3502	-1.6	1.3548	-1.9	1.3796	-2.3	85.6
Hong Kong	(HK$)	7.7303	-0.0002	298 - 308	7.7308	7.7298	7.7314	-0.2	7.7325	-0.1	7.7373	-0.1	-
India	(Rs)	31.3825	+0.0125	775 - 875	31.4000	31.3725	31.4625	-3.1	31.7075	-4.1	-	-	-
Israel	(Shk)	3.0087	-0.005	060 - 113	3.0253	3.0021	-	-	-	-	-	-	-
Japan	(Y)	97.4250	+0.5	000 - 500	97.6300	97.0900	97.125	3.7	96.485	3.9	93.22	4.3	150.9
Malaysia	(M$)	2.5539	-0.0012	534 - 544	2.5560	2.5528	2.5519	0.9	2.5474	1.0	2.5314	0.9	-
New Zealand	(NZ$)	1.5746	-0.0107	741 - 753	1.5812	1.5741	1.5773	-2.1	1.5849	-2.6	1.6116	-2.3	-
Philippines	(Peso)	25.2300	+0.08	800 - 800	25.2800	25.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7501	3.7529	-0.8	3.7562	-0.6	3.7678	-0.5	-
Singapore	(S$)	1.4533	+0.0009	528 - 538	1.4540	1.4515	1.4484	4.1	1.443	2.8	1.4196	2.3	-
S Africa (Com.)	(R)	3.5603	+0.0235	595 - 610	3.5610	3.5340	3.5738	-4.6	3.6085	-5.4	3.7778	-6.1	-
S Africa (Fin.)	(R)	3.8350	-0.002	250 - 450	3.8450	3.7850	3.8625	-8.6	3.9125	-8.1	4.145	-8.1	-
South Korea	(Won)	788.750	-3.5	700 - 800	790.800	787.100	791.75	-4.6	795.25	-3.3	813.75	-3.2	-
Taiwan	(T$)	26.3583	-0.01	545 - 580	26.3935	26.3545	26.3783	-0.9	26.4163	-0.9	-	-	-
Thailand	(Bt)	24.9500	-0.01	400 - 600	24.9750	24.9400	24.9625	-0.6	24.9765	-0.4	25.0025	-0.2	-

†SDR rate for Feb 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 17. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅝	5⅛	5½	5⅞	6⅛	7.40	4.50	-
week ago	4⅝	5⅛	5⅝	5¾	6¼	7.40	4.50	-
France	5⅜	5⅜	5⅞	6⅛	6⅝	5.00	-	6.40
week ago	4⅞	5⅜	5¾	6⅛	6⅜	5.00	-	6.40
Germany	4.88	4.95	5.05	5.20	5.65	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.20	5.65	6.00	4.50	4.85
Ireland	5¼	5¾	6¼	6⅞	7⅜	-	-	6.25
week ago	5¼	5¾	6¼	6⅝	7⅛	-	-	6.25
Italy	8⅜	8½	9	9½	10⅛	-	7.50	8.35
week ago	8⅜	8⅝	8⅞	9⅜	10½	-	7.50	8.20
Netherlands	4.84	5.00	5.09	5.27	5.74	-	5.25	-
week ago	4.84	5.00	5.10	5.28	5.76	-	5.25	-
Switzerland	3⅜	3¾	3⅞	4⅛	4⅜	6.625	3.50	-
week ago	3⅜	3⅝	3⅞	4⅛	4⅜	6.625	3.50	-
US	6	6⅛	6¼	6⅜	6⅞	-	5.25	-
week ago	6⅛	6⅛	6¼	6⅜	7⅛	-	5.25	-
Japan	2¼	2⅜	2¼	2½	2⅝	-	1.75	-
week ago	2¼	2⅜	2¼	2⅜	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6½	7	-	-	-
week ago	-	6⅛	6⅜	6⅝	7⅛	-	-	-
US Dollar CDs	-	5.92	6.04	6.28	6.80	-	-	-
week ago	-	5.92	6.10	6.40	7.03	-	-	-
SDR Linked Ds	-	4.25	4.438	4.688	5.188	-	-	-
week ago	-	4.25	4.812	5.125	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6⅛; 6 mths: 6⅜; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 7/16 - 5 5/16	5¾ - 5⅝	6 3/16 - 6 1/16
Danish Krone	5¼ - 5	5⅞ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6½	7 5/16 - 7 3/16
D-Mark	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4⅞	5 1/16 - 4 15/16	5¼ - 5⅛	5 11/16 - 5 9/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4 13/16	5⅛ - 5 1/16	5 5/16 - 5 3/16	5¾ - 5 11/16
French Franc	5⅞ - 5¾	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5⅞ - 5¾	6¼ - 6⅛	6¾ - 6⅝
Portuguese Esc.	8 15/16 - 8⅝	9 - 8¾	9½ - 9	10⅛ - 10	10 9/16 - 10 7/16	11⅛ - 10¾
Spanish Peseta	8¼ - 8 1/16	8 5/16 - 8 3/16	8¾ - 8⅝	8¾ - 8½	9¼ - 9⅛	10 1/16 - 9 15/16
Sterling	6½ - 6¼	6 5/16 - 6 3/16	6⅝ - 6½	6¾ - 6 11/16	7 5/16 - 7 3/16	7⅞ - 7¾
Swiss Franc	3⅜ - 3¼	3½ - 3⅜	3 9/16 - 3 7/16	3 13/16 - 3 11/16	4 1/16 - 3 15/16	4 7/16 - 4 5/16
Can. Dollar	8⅛ - 7⅞	8⅛ - 7⅞	8 - 7⅞	8 5/16 - 8 3/16	8¾ - 8½	8¾ - 8⅝
US Dollar	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6⅛ - 6	6¼ - 6⅛	6½ - 6⅜	7 - 6⅞
Italian Lira	9 - 7½	8 5/16 - 8 3/16	8½ - 8⅜	9 - 8⅞	9½ - 9⅜	10⅜ - 10¼
Yen	2 5/32 - 2 3/32	2 7/32 - 2 5/32	2 7/32 - 2 5/32	2 9/32 - 2 7/32	2 7/16 - 2¼	2 13/16 - 2⅝
Asian $Sing	2⅛ - 2	1⅞ - 1¾	2¼ - 2⅛	2¾ - 2⅝	3⅜ - 3¼	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.98	93.92	-0.06	93.99	93.91	21,483	46,049
Jun	93.48	93.38	-0.10	93.48	93.36	35,181	47,809
Sep	93.17	93.06	-0.11	93.17	93.05	8,456	38,414
Dec	92.85	92.81	-0.10	92.88	92.79	4,186	19,820

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.67	-			0	1564
Jun	93.17	93.19	+0.02	93.17	93.17	10	555
Sep		92.85	+0.02			0	207
Dec		92.53	+0.01			0	270

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.86	94.84	-0.03	94.86	94.84	15404	168087
Jun	94.50	94.44	-0.06	94.51	94.44	46446	194400
Sep	94.11	94.03	-0.09	94.11	94.01	35174	116420
Dec	93.71	93.63	-0.09	93.71	93.62	20506	88025

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.88	90.67	-0.17	90.88	90.65	9551	33394
Jun	90.04	89.88	-0.18	90.08	89.83	12098	32702
Sep	89.60	89.44	-0.15	89.60	89.44	2205	28060
Dec	89.31	89.14	-0.17	89.31	89.10	768	14806

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.99	96.01	-	96.05	95.99	3894	18817
Jun	95.69	95.65	-0.04	95.70	95.63	2568	17384
Sep	95.39	95.35	-0.04	95.40	95.32	1769	6965
Dec	95.11	95.08	-0.04	95.12	95.07	597	6252

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.79	93.76	-0.04	93.79	93.73	1433	9992
Jun	93.26	93.24	-0.06	93.26	93.22	1105	7311
Sep	92.80	92.79	-0.04	92.80	92.77	651	3866
Dec	92.38	92.35	-0.04	92.38	92.33	382	1971

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.18	16.91	4.855	2.084	5301	5.444	21.36	503.5	424.4	24.01	4.103	2.076	4.589	3.281	319.6	2.580
Denmark	(DKr)	52.15	10	8.819	2.532	1.087	2764	2.839	11.14	262.6	221.3	12.52	2.140	1.082	2.393	1.711	166.7	1.351
France	(FFr)	59.13	11.34	10	2.871	1.232	3135	3.219	12.63	297.7	251.0	14.20	2.426	1.227	2.714	1.940	189.0	1.532
Germany	(DM)	20.60	3.950	3.484	1	0.429	1092	1.121	4.399	103.7	87.43	4.947	0.845	0.428	0.945	0.676	65.84	0.534
Ireland	(I£)	47.99	9.202	8.116	2.330	1	2544	2.613	10.25	241.6	203.7	11.52	1.969	0.996	2.202	1.575	153.4	1.243
Italy	(L)	1.886	0.362	0.319	0.092	0.039	100.	0.103	0.403	9.499	8.007	0.453	0.077	0.039	0.087	0.062	6.030	0.049
Netherlands	(Fl)	18.37	3.522	3.106	0.892	0.383	973.7	1	3.923	92.49	77.96	4.411	0.754	0.381	0.843	0.603	58.71	0.476
Norway	(NKr)	46.82	8.979	7.918	2.273	0.976	2482	2.549	10	235.8	198.7	11.24	1.921	0.972	2.149	1.536	149.7	1.213
Portugal	(Es)	19.86	3.808	3.359	0.964	0.414	1053	1.081	4.242	100.	84.30	4.769	0.815	0.412	0.911	0.652	63.48	0.514
Spain	(Pta)	23.56	4.516	3.984	1.144	0.491	1249	1.283	5.032	118.6	100.	5.658	0.967	0.489	1.081	0.773	75.31	0.610
Sweden	(SKr)	41.64	7.985	7.042	2.022	0.868	2207	2.267	8.894	209.7	176.8	10	1.709	0.864	1.911	1.366	133.1	1.079
Switzerland	(SFr)	24.37	4.673	4.121	1.183	0.508	1292	1.327	5.205	122.7	103.4	5.852	1	0.506	1.118	0.800	77.90	0.631
UK	(£)	48.18	9.239	8.148	2.339	1.004	2554	2.623	10.29	242.6	204.5	11.57	1.977	1	2.211	1.581	154.0	1.248
Canada	(C$)	21.79	4.179	3.685	1.058	0.454	1155	1.186	4.654	109.7	92.49	5.233	0.894	0.452	1	0.715	69.65	0.564
US	($)	30.47	5.844	5.154	1.479	0.635	1615	1.659	6.509	153.4	129.3	7.318	1.250	0.633	1.398	1	97.41	0.789
Japan	(Y)	31.29	5.999	5.291	1.519	0.652	1658	1.703	6.682	157.5	132.8	7.513	1.284	0.649	1.436	1.027	100.	0.810
Ecu		38.61	7.403	6.529	1.874	0.804	2046	2.102	8.245	194.4	163.9	9.271	1.584	0.801	1.772	1.267	123.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6765	0.6765	+0.0024	0.6793	0.6735	36,966	90,994
Jun	0.6784	0.6787	+0.0024	0.6804	0.6772	3,378	5,699
Sep	0.6813	0.6803	+0.0017	0.6821	0.6802	65	754

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0305	1.0295	-0.0003	1.0320	1.0268	44,491	79,978
Jun	1.0400	1.0406	-0.0003	1.0425	1.0400	1,551	9,089
Sep	1.0528	1.0528	-	1.0535	1.0528	329	759

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8012	0.8004	+0.0028	0.8040	0.7971	25,766	43,246
Jun	0.8075	0.8053	+0.0031	0.8075	0.8040	726	2,469
Sep	0.8120	0.8102	+0.0045	0.8120	0.8090	116	234

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5790	1.5772	-0.0012	1.5822	1.5742	9,261	46,725
Jun	1.5770	1.5740	-0.0032	1.5770	1.5730	129	1,682
Sep	-	1.5700	-	-	1.5700	8	10

UK INTEREST RATES

LONDON MONEY RATES

Feb 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅝ - 3	6½ - 6	6⅝ - 6½	6 13/16 - 6 11/16	7 3/16 - 7 1/16	7⅞ - 7¾
Sterling CDs	-	-	6 7/16 - 6 5/16	6 23/32 - 6⅝	7 3/32 - 7 1/32	7¾ - 7⅝
Treasury Bills	-	-	6⅜ - 6 5/16	6½ - 6⅜	-	-
Bank Bills	-	-	6 13/32 - 6 11/32	6 21/32 - 6 19/32	6⅞ - 6¾	-
Local authority deps.	6 7/16 - 6 5/16	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6¾ - 6⅝	7 1/16 - 6 15/16	7 9/16 - 7 7/16
Discount Market deps	6⅝ - 4½	6½ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1583pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.824pc. Finance House Base Rate 7pc from Feb 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.03	93.06	+0.02	93.07	93.02	7453	74683
Jun	92.27	92.30	+0.02	92.32	92.25	14774	98803
Sep	91.78	91.82	+0.02	91.82	91.76	7289	68915
Dec	91.46	91.47	-	91.48	91.43	3509	51549

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9300	0.10	0.02	0.04	0.04	0.72	1.22
9325	0.01	0	0.02	0.20	0.95	1.45
9350	0	0	0.01	0.44	1.20	1.69

Est. vol. total, Calls 3311 Puts 4637. Previous day's open int., Calls 207040 Puts 186776

EMS EUROPEAN CURRENCY UNIT RATES

Feb 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.11179	-0.0031	-3.87	11.24	-
Belgium	40.2123	38.7989	-0.0587	-3.51	10.84	25
Germany	1.94964	1.88334	-0.00301	-3.40	10.70	-
Austria	13.7167	13.2555	-0.0219	-3.48	10.88	-
Denmark	7.43679	7.44281	-0.00732	0.08	6.85	-1
Ireland	0.808628	0.809973	-0.000832	0.17	6.76	-2
France	6.53883	6.56266	-0.00054	0.36	6.55	-4
Portugal	192.854	195.516	+0.001	1.38	5.48	-10
Spain	154.250	164.954	+0.272	6.94	0.00	-49
NON ERM MEMBERS						
Greece	264.513	297.189	+0.143	12.35	-4.82	-
Italy	1793.19	2062.37	+19	15.01	-7.02	-
UK	0.786749	0.808331	+0.000803	2.74	4.08	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.500	7.51	7.54	7.69	-	0.11	0.35
1.525	5.11	5.39	5.69	-	0.39	0.76
1.550	2.84	3.47	3.92	0.23	0.96	1.48
1.575	1.16	2.02	2.54	0.98	1.92	2.50
1.600	0.30	1.03	1.53	2.57	3.36	3.90
1.625	0.03	0.48	0.84	4.79	5.26	5.68

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.66	93.67	-	93.68	93.65	48,468	389,091
Jun	93.19	93.19	-	93.21	93.17	91,310	418,473
Sep	92.83	92.84	-0.02	92.89	92.83	84,018	275,353

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.26	94.26	-	94.27	94.25	932	6,774
Jun	93.75	93.79	-	93.79	93.75	930	11,443
Sep	93.44	93.43	-0.02	93.44	93.44	188	6,576

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9475	0.12	0.02	0.05	0.06	0.03	0.33	0.36	0.37
9500	0.01	0	0.01	0.02	0.17	0.56	0.57	0.58
9525	0	0	0	0.01	0.41	0.81	0.81	0.82

Est. vol. total, Calls 8982 Puts 23356. Previous day's open int., Calls 177813 Puts 249506

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9600	0.07	0.03	0.03	0.06	0.36	0.66
9625	0	0.01	0.01	0.24	0.61	0.91
9650	0	0	0	0.49	0.85	1.15

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2010

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf	98	—	117	88¼	12.2	10.2	–
9¼pc Non-Cum Pf	117¾	–½	137½	107	47.1	10.4	–
Cater Allen	436	–3	606¼	435	141.8	6.1	9.0
Close Bros	233	–1	288½	203	221.8	4.0	10.5
Gerrard & Nat	438	–3	518	395	211.8	6.9	12.6
Hambros	222	+3	473	209	408.5	6.1	14.2
7½pc Cv Pf	101xd	—	191	99½	130.1	9.3	–
Joseph (L)	393	—	443	393	28.8	5.8	11.4
King & Shaxson	97	—	170	98	18.9	11.8	9.6
Kleinwort Benson	635	+1	693	424	847.1	4.3	12.1
Rea Bros	62	—	78	53	23.7	1.9	17.4
Schroders	1518	–15	1574	1050	1,518	1.5	13.8
N/V	1342	–23	1488	1043	368.2	1.7	12.1
Singer & Fried	84	–1	114	75	182.1	4.7	10.8
Union	85	–2	199	85	22.8	6.8	7.9
Warburg (SG)	714	+3	1012	689	1,570	3.9	13.1
Wintrust	220xd	—	350	203	18.7	6.0	14.7

BANKS, RETAIL

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£22⅛	–⅛	£25¾	£19⅞	6,771	5.2	8.3
ANZ A$	213	+3	278¼	171	2,893	6.5	7.8
Abbey National	438	–1	523	380½	5,724	4.5	14.7
Allied Irish I£	267xd	—	314	233	1,779	5.3	10.3
Anglo Irish I£	51	—	70	50	176.5	8.7	10.9
Asahi Y	730½	+⅛	819¼	628	16,860	0.6	♦
Banco Bil Viz Pta	£16⅞	+⅛	£17⅞	£14⅛	3,799	5.0	7.4
Banco Sant Pta	£24⅜	—	£30½	£23¾	3,883	5.9	6.5
Bk Ireland I£	305	—	319	246	1,460	4.7	8.8
Bank Scotland	188	–3	247	172½	2,330	3.3	11.2
9¼pc Pf	117¾	–½	141½	106	117.8	9.6	–
9¾pc Pf	123¼	–½	148½	111¼	123.2	9.9	–

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
† Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

Lazard Fund Mngrs - Contd.

Merrill Lynch Guernsey

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

Singer & Friedlander Inv Funds Ltd - Contd.

IRELAND (REGULATED)(**)

Scottish Amicable European/International

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Cater Allen Investment Management (CI)

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA - Contd.

Lloyds Bank Luxembourg

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCE

صكذا من الاصل

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON STOCK EXCHANGE

MARKET REPORT

Little progress in thinly traded equity sectors

By Terry Byland,
UK Stock Market Editor

UK stocks remained mesmerised yesterday by currency and political uncertainties, granting only the most cautious reception to the opening of the corporate reporting season. An attempt to rally towards the close was checked as the Dow Industrial Average stalled and bond markets shied away ahead of today's appearance before the US Senate banking committee of Mr Alan Greenspan, chairman of the Federal Reserve Board.

The final reading of 3,023.4 on the FT-SE 100-share Index showed a slight improvement on the day of 4.8. Earlier, the index had dipped to 3,012.6 as the D-Mark's continued strength hurt sterling. Background political worries in the UK focused around expected publication of the framework proposals on Northern Ireland by the British and Irish governments; this could provoke reaction from the Ulster Unionist Members of Parliament.

Traders and analysts agreed that yesterday's session had demonstrated a lack of conviction by investors. Seaq volume of 424.8m shares was little changed from Monday's equally unimpressive trading session; retail, or customer, business was worth £1.1bn in the previous session but, as so often in recent months, was focused fairly tightly around special situations.

The FT-SE Mid 250 Index slipped 1.7 to 3,414.4, reflecting the level of neglect among second line stocks rather than any significant investment trend. A trading programme just before midsession favoured the Mid 250 stocks but was believed to be a mixture of buys and sells. A slack futures market took the initiative away from the Footsie blue chips.

The announcement that the US had signed with Mexico the proposed $20bn rescue plan brought brief optimism in mid-afternoon, but by the time London closed the Dow Industrial Average had trimmed its early gain to 7 points. The stock market ended the day on a flat note as fund managers waited to see if Mr Greenspan will make significant comment today on the weakness of the US currency.

Bid speculation also played a less active role in the market yesterday, although traders maintained that there would be further moves, perhaps among the regional electricity companies, as soon as the stock market recovered its poise.

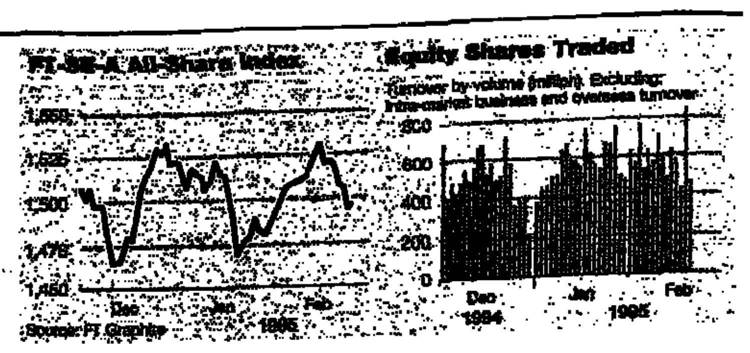
The 1994 company profits reporting season made a disappointing start, from the point of view of share prices at least. Neither Unilever nor National Westminster Bank could make progress, in spite of good profits and dividend news in both cases. The stock market was more interested in the statements on the business outlook than in the profits figures. However, there was a better performance from Guardian Royal Exchange shares on the announcement of higher profits.

The stock market is expected to hold fire today until it knows the outcome of the £2bn auction of 10-year benchmark UK government bonds. In the current mood of the markets, commitment of funds on this scale is likely to keep fund managers preoccupied and less willing to take up new positions in equities until the outlook becomes more clear.

FT-SE-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3023.4	+4.8
FT-SE Mid 250	3414.4	-1.7
FT-SE-A 350	1512.1	+1.7
FT-SE-A All-Share	1496.00	+1.42
FT-SE-A All-Share yield	4.14	(4.14)
FT Ordinary Index	2298.2	+0.6
FT-SE-A Non Fins p/e	17.36	(17.35)
FT-SE100 Fut Mar	3027.0	+15.0
10 yr Gilt yield	8.79	(8.73)
Long gilt/equity yld ratio:	2.13	(2.12)

Best performing sectors

1 Extractive Inds .... +1.0
2 Paper, Pckg & Printing .... +0.7
3 Water .... +0.7
4 Telecommunications .... +0.7
5 Electronic & Elec .... +0.6

Worst performing sectors

1 Tobacco .... -1.4
2 Household Goods .... -1.1
3 Gas Distribution .... -0.8
4 Leisure & Hotels .... -0.7
5 Chemicals .... -0.5

Support grows for RTZ

Shares in RTZ, the world's biggest mining group, moved ahead 9 to 730p as two leading securities houses voiced their support ahead of figures due in early March.

They were responding to recent weakness in the stock as well as to the relative firmness in the copper price, which generates a large chunk of RTZ's operating profits. Copper's price per pound currently stands about 10 cents higher than the market had anticipated.

Hoare Govett reiterated its buy stance on the stock, arguing that: "In respect of the fundamentals on pricing, supply and demand, and world stocks, the share price performance since late September is grossly overdone."

Meanwhile, Nomura Securities moved from a sell to a hold, pointing out that the stock had underperformed the broad market by 10 per cent over the past six weeks.

Nomura forecasts net income of £546m when RTZ reports on March 8. Forecasts range between £525m and £580m.

Northern hopes

In a generally mixed regional electricity sector, Northern Electric drifted back to close 3 off at 1117p in relatively light trading in spite of late rumours that Trafalgar House was set to launch an increased offer this morning, or tomorrow.

Under the terms of the takeover code Trafalgar House has until Friday to increase its offer. Dealers said Trafalgar would want any increased offer to be in the market before its scheduled meeting with shareholders on Thursday.

One suggestion doing the rounds of the dealing desks was that Trafalgar would increase the value of its offer to a "knock out" £13 a share, via a straight share exchange. At the same time it would, so the stories went, sweeten the value of its cash alternative. Trafalgar House shares held at 66p after turnover of 2.3m.

Smith New Court was the driving force behind a firm water sector, with the broker taking the view that water shares will outpace the recs over the next five years. North West Water gained 10 at 512p.

NatWest easier

Preliminary profits at the top end of market estimates and a better than expected 17 per cent increase in the dividend failed to sustain National Westminster Bank shares, which dipped 10 to 483p, leaving them the third worst performer yesterday in the FT-SE 100 Index. Turnover in NatWest reached 11m shares, its third highest in a single trading session since last August.

Dealers said that the market was initially disturbed by the bank's costs-to-income ratio and then unsettled by what some specialists described as a downbeat meeting with analysts.

Lloyds Bank was a beneficiary of the selling pressure in NatWest, with some institutions switching into Lloyds as the more efficient of the two banks. Lloyds shares rose 8 to 564p on turnover of 5.4m.

Guardian Royal Exchange moved up 4 to 177p amid good volume of 3.3m after impressive preliminary results.

PowerGen, the smaller of the two English generators in which the government is selling its remaining 40 per cent holdings, easily outpaced its larger colleague, National Power, after a buy recommendation published by Nomura, the Japanese stockbroker.

Mr Philip Green, utilities specialist at Nomura, said he based his buy argument on PowerGen and a hold recommendation on National Power on his estimates that PowerGen can produce dividend growth of around 20 per cent during the next four years, compared with 15 per cent growth at National Power.

Mr Green warned that regulatory risks to the generators are increasing and that National Power, because of its size, is more at risk than PowerGen.

PowerGen was the second best performer in the FT-SE 100 list, closing 12 higher at 515p, up 2.4 per cent. National Power was 5 firmer at 486p, up 1 per cent.

Unilever, the food, detergents and personal products group, recovered from an earlier slide to close unchanged at 1173p, in trade of 2.1m, after the group reported full-year figures that fell below market expectations.

However, a closer reading of the figures led to a realisation that they contained an exceptional charge relating to the unsuccessful launch of the power range of detergents in some countries. This helped dealers shake off earlier worries and several brokers upgraded profits expectations.

They included Strauss Turnbull, which increased its current year forecast by £17m to £2.647bn.

Household products group Reckitt & Colman fell 9 to 630p, depressed by a large block of stock going through the market at 625p.

Insurance and tobacco conglomerate BAT Industries receded a further 6 to 416p on US litigation concerns and recent sell recommendations.

Yorkshire Chemicals disappointed the market with its full-year figures and statement and the shares ended 9 cheaper at 346p.

British Steel turned in the best performance among Footsie shares, boosted by speculation over the next round of steel price rises in Europe. Both UBS and S.G. Warburg have recently put out positive notes. The shares added more than 3 per cent, rising 4¾ to 157¼p in 8.3m turnover to comfortably outperform the market as a whole over the past month.

Paper and packaging group Bowater gained 7¼ at 406p as BZW reiterated its positive stance in light of an aggressive statement and well received figures from rival Low & Bonar on Monday.

Mr Tim Rothwell of BZW commented; "People are revisiting the whole sector again and we are optimistic that our top of the range forecast for Bowater will be met when it reports on March 21."

Diversified industrial Tomkins celebrated its arrival on the Wall Street Big Board with a 4 rise to 230p in 4m turnover.

The group's ADRs began trading in New York and a number of houses reiterated positive assessments. Nomura Securities pointed to the potential for wider investment appeal given that a bare one per cent of Tomkins is owned by US investors. At the other extreme, Hanson – unchanged at 235½p in 4.8m turnover – is some 20 per cent US owned.

Vodafone, the cellular telephones group, edged up 2 to 184½p after S.G. Warburg shifted the stock to a buy from a hold. Vodafone shares have been buffeted recently by the profits warning triggered, ironically, by a surge in new subscribers benefiting from handset subsidies.

Shares in Airtours, the tour operator, were hit by suggestions that the group was about to return to the acquisition trail. The stock fell 16 to 420p. Sentiment was further weakened by reports of sluggish demand for summer package holidays and greater competition among tour operators.

CentreGold, the computer and video games company, plunged 37 to 60p after it warned of a likely loss of £3.6m for the six months to January 1995.

Luxury products group Vendome fell 20 to 426p after Hoare Govett downgraded its recommendation on the stock from undervalued to hold and also cut profits estimates. Volume stood at 2.1m at the close.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Yr ago	*High	*Low
Ordinary Share	2298.2	2297.6	2315.0	2322.8	2334.1	2576.5	2713.6	2238.3
Ord. div. yield	4.63	4.61	4.65	4.55	4.53	3.57	4.66	3.43
Earn. yld. % full	7.04	6.98	6.92	6.79	6.76	3.89	7.04	3.82
P/E ratio net	16.79	16.95	17.10	17.40	17.48	32.7	33.43	16.79
P/E ratio nil	16.00	16.16	16.29	16.57	16.65	30.14	30.80	16.00

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2301.2	2293.6	2299.2	2296.8	2299.9	2300.0	2299.6	2299.1	2299.0	2301.5	2292.7

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Yr ago
SEAQ bargains	20,351	19,756	20,620	22,122	22,584	29,617
Equity turnover (£m)†	-	28,581	1128.5	1484.0	1568.6	1569.7
Equity bargains†	-	1130.9	27,800	30,890	31,687	36,936
Shares traded (ml)†	-	476.7	461.9	647.9	579.6	575.4

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	542	Total Highs	8	Total contracts	27,827
Total Falls	498	Total Lows	104	Calls	17,499
Same	1,800			Puts	10,328

Feb. 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3015.0	3027.0	+15.0	3034.0	3006.0	11159	54685
Jun	3019.0	3035.0	+15.0	3036.5	3014.0	177	13144
Sep	3037.0	3058.0	+14.0	3040.0	3037.0	30	140

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3420.0	3420.0	+5.0	3420.0	3420.0	110	3463
Jun	3441.0	3441.0	+5.0	3441.0	3441.0	110	650

■ FT-SE 100 INDEX OPTION (LIFFE) (*3023) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	17.1	13¼	13	Bath Press	13					
-	F.P.	26.1	55	49¼	Lazard Birla India	50¼					
-	F.P.	3.06	32½	29	Do Warrants	29½					
35	F.P.	22.1	36	34	MCIT S Cap	34					
35	P.P.	23.4	38	36	MCIT S Inc	36					
100	F.P.	39.5	94	79	Matheson Lloyds	79	-1				
-	F.P.	16.0	130	80	Pentex Oil	80					
150	F.P.	16.1	180	150	Photobition	166	-2	RN8.0	2.0	4.8	11.3
-	F.P.	4.50	11¼	10½	Wessex Trust	11¼					
-	F.P.	262.1	126	118	Woodchester Units	125					

FT GOLD MINES INDEX

	Feb 20	% chg on day	Feb 17	Feb 16	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)†	1737.42	+1.2	1717.50	1766.20	2828.54	2.26	2337.98	1657.81
■ Regional Indices								
Africa (16)	2701.47	+2.1	2646.33	2858.23	2898.25	5.10	3711.87	2304.45
Australasia (7)	1844.41	+0.7	1831.05	1864.38	2598.94	0.89	2851.49	1788.20
North America (11)	1439.06	+0.7	1428.87	1403.39	1746.16	0.78	1911.21	1348.16

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 21: 201.7 ; day's change: +1.4 Year ago: 206.2 † Partial.
Market closed 20/2/95: USA. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 21	Day's chge%	Feb 20	Feb 17	Feb 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3023.4	+0.2	3018.6	3044.2	3061.1	3333.7	4.35	7.49	15.79	11.83	1158.79
FT-SE Mid 250	3414.4	....	3416.1	3437.2	3438.7	3968.9	3.73	6.48	18.41	9.72	1290.08
FT-SE Mid 250 ex Inv Trusts	3425.2	-0.1	3427.2	3448.7	3450.5	3983.6	3.88	7.00	17.16	9.66	1292.26
FT-SE-A 350	1512.1	+0.1	1510.4	1522.5	1525.3	1687.9	4.21	7.26	16.32	5.55	1185.70
FT-SE-A 350 Higher Yield	1540.3	....	1540.0	1552.8	1554.6	1688.2	5.23	7.63	15.68	8.10	994.09
FT-SE-A 350 Lower Yield	1483.7	+0.2	1480.6	1491.9	1495.7	1646.6	3.16	6.89	17.02	3.05	960.01
FT-SE SmallCap	1709.64	-0.1	1711.59	1715.33	1715.84	2063.35	3.40	5.90	21.24	4.71	1339.98
FT-SE SmallCap ex Inv Trusts	1688.24	-0.1	1690.29	1693.36	1693.63	2042.78	3.60	6.58	19.31	4.72	1327.72
FT-SE-A ALL-SHARE	1496.00	+0.1	1494.58	1505.80	1508.39	1679.41	4.14	7.16	16.62	5.38	1192.86

■ FT-SE Actuaries All-Share

	Feb 21	Day's chge%	Feb 20	Feb 17	Feb 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2647.65	+0.1	2644.28	2655.48	2648.21	2572.89	3.65	6.19	20.38	8.68	1072.49
12 Extractive Industries(7)	3373.03	+1.0	3340.96	3376.86	3384.51	3768.60	3.59	5.77	21.49	0.00	930.76
15 Oil, Integrated(3)	2667.00	....	2668.11	2677.11	2665.80	2515.30	3.78	7.08	17.73	11.39	1106.07
16 Oil Exploration & Prod(14)	1920.66	+0.3	1915.48	1916.67	1912.63	1669.03	2.54	‡	‡	0.00	1111.27
20 GEN INDUSTRIALS(276)	1796.51	+0.1	1794.09	1804.59	1811.81	2162.71	4.35	6.08	19.59	4.39	926.31
21 Building & Construction(36)	925.17	....	925.27	930.88	936.55	1532.45	4.21	6.90	18.84	0.81	731.11
22 Building Matls & Merchs(31)	1698.98	+0.5	1690.41	1692.56	1717.27	2285.20	4.50	6.54	18.47	0.20	808.68
23 Chemicals(23)	2160.15	-0.5	2171.41	2187.38	2195.67	2393.22	4.39	5.47	22.25	0.59	965.42
24 Diversified Industrials(17)	1770.27	+0.1	1768.65	1788.01	1796.66	2114.63	5.27	6.70	17.16	12.90	923.27
25 Electronic & Elect Equip(36)	1894.46	+0.6	1882.78	1888.80	1886.87	2170.54	4.01	6.77	17.54	2.50	937.38
26 Engineering(72)	1731.56	....	1731.63	1741.84	1742.16	1972.00	3.49	5.72	20.55	2.87	989.78
27 Engineering, Vehicles(13)	2070.84	-0.4	2079.78	2103.71	2107.45	2442.15	4.83	1.67	80.00†	0.16	1013.80
28 Paper, Pckg & Printing(27)	2733.53	+0.7	2714.78	2710.21	2713.19	3013.91	3.30	5.93	19.47	0.17	1082.25
29 Textiles & Apparel(21)	1462.52	+0.1	1461.69	1459.55	1459.40	1963.49	4.63	6.70	19.39	1.88	898.41
30 CONSUMER GOODS(96)	2806.38	....	2808.39	2837.10	2843.29	2802.14	4.39	7.32	15.95	17.88	961.34
31 Breweries(15)	2150.07	+0.3	2143.78	2146.27	2145.63	2219.17	4.46	8.56	14.07	10.49	984.36
32 Spirits, Wines & Ciders(10)	2508.01	+0.5	2495.12	2524.15	2536.92	3040.26	4.54	7.84	15.06	26.30	898.34
33 Food Producers(24)	2351.69	+0.1	2348.46	2369.20	2356.15	2462.60	4.25	7.48	15.86	14.57	1006.94
34 Household Goods(10)	2487.32	-1.1	2515.75	2538.04	2535.53	2878.43	3.58	6.72	17.91	0.45	901.25
36 Health Care(18)	1579.88	-0.3	1583.99	1598.47	1597.17	1861.65	3.16	3.51	39.47	0.58	922.97
37 Pharmaceuticals(12)	3464.48	+0.1	3460.64	3505.05	3504.18	3111.66	4.07	6.25	18.51	25.70	1119.49
38 Tobacco(3)	[illegible]										
40 SERVICES(231)	[illegible]										
41 Distributors	[illegible]										
42 Leisure & Hotels	[illegible]										
43 Media	[illegible]										
44 Retailers, Food(16)	1755.39	+0.3	1750.70	1765.33	1769.65	1577.94	3.75	9.13	13.43	2.54	1060.88
45 Retailers, General(45)	1494.49	-0.3	1498.92	1505.66	1514.49	1777.02	3.58	7.79	15.92	7.63	817.44
48 Support Services(36)	1441.42	-0.1	1442.71	1460.43	1467.41	1774.29	2.92	6.69	17.61	1.06	883.44
49 Transport(21)	2153.17	+0.5	2143.22	2177.99	2192.92	2684.60	3.96	7.06	16.75	3.32	861.74
51 Other Services & Business(7)	1193.16	-0.4	1198.18	1199.90	1203.32	1333.85	3.75	4.65	29.02	5.42	1039.84
60 UTILITIES(37)	2366.79	+0.4	2357.34	2371.44	2363.84	2565.87	4.59	7.57	16.09	6.65	952.53
62 Electricity(17)	2498.44	+0.5	2486.77	2499.67	2473.30	2425.86	4.09	10.16	11.74	19.89	1069.22
64 Gas Distribution(2)	2019.40	-0.8	2035.14	2047.94	2041.54	2252.31	5.93	‡	‡	0.00	948.46
66 Telecommunications(5)	1959.96	+0.7	1946.94	1954.84	1957.07	2253.03	4.17	6.86	17.76	0.13	950.66
68 Water(13)	1739.29	+0.7	1727.50	1751.27	1753.68	1979.29	5.76	13.60	7.91	4.62	886.66
69 NON-FINANCIALS(685)	1618.81	+0.1	1617.30	1629.28	1631.87	1781.46	4.11	6.91	17.36	5.80	1180.35
70 FINANCIALS(116)	2117.86	+0.1	2114.86	2133.23	2138.98	2636.63	4.70	9.58	12.12	6.25	948.87
71 Banks, Retail(9)	2771.28	+0.2	2766.58	2794.48	2804.76	3328.86	4.57	10.69	10.65	18.58	840.10
72 Banks, Merchant(6)	3061.46	-0.2	3069.04	3079.92	3092.39	3360.06	3.70	8.97	13.02	0.00	929.63
73 Insurance(27)	1185.38	+0.2	1182.56	1197.86	1202.45	1426.92	5.64	8.77	13.42	0.81	820.20
74 Life Assurance(6)	2340.24	....	2339.47	2357.32	2367.63	2631.75	5.46	7.98	15.32	0.00	905.70
77 Other Financial(23)	1844.35	-0.4	1852.56	1856.13	1852.89	2123.40	4.04	8.08	14.64	2.11	997.50
79 Property(45)	1372.75	+0.4	1367.03	1372.28	1388.73	1774.86	4.39	7.78	16.11	1.14	797.16
80 INVESTMENT TRUSTS(133)	2594.55	-0.1	2596.15	2608.55	2609.42	3000.02	2.42	2.07	48.27	6.80	978.91
89 FT-SE-A ALL-SHARE(917)	1496.00	+0.1	1494.58	1505.80	1508.39	1679.41	4.14	7.16	16.62	5.38	1192.86
FT-SE-A Fledgling	974.13	-0.2	975.92	978.63	980.84	-	3.38	-	-	2.84	978.93
FT-SE-A Fledgling ex Inv Trusts	974.66	-0.2	976.90	979.66	982.14	-	3.63	-	-	3.04	977.65

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3023.8	3013.5	3021.1	3018.6	3024.3	3024.4	3024.1	3023.4	3023.7	3026.9	3012.6
FT-SE Mid 250	3416.8	3412.7	3415.7	3413.8	3415.2	3415.5	3415.5	3415.4	3414.3	3416.8	3412.5
FT-SE-A 350	1512.4	1508.2	1511.4	1510.6	1512.6	1512.8	1512.5	1512.2	1512.2	1513.6	1507.8

Time of FT-SE 100 Day's high: 2.46pm Day's low: 8.55am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	884.1	884.1	884.9	884.6	884.9	884.7	884.7	884.7	884.4	884.7	884.0	+0.7
Pharmaceuticls	3436.5	3428.7	3437.3	3430.2	3433.1	3432.3	3433.7	3436.0	3435.5	3433.9	3429.9	+4.0
Water	1726.0	1725.1	1729.9	1728.0	1727.6	1732.3	1733.4	1733.9	1734.3	1733.7	1721.8	+11.9
Banks, Retail	2817.5	2793.3	2805.7	2801.1	2807.7	2809.0	2807.1	2808.4	2806.8	2806.6	2801.9	+4.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

مبكرا من الاهل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 21 / Sch)

BELGIUM/LUXEMBOURG (Feb 21 / Frs.)

CZECH REP (Feb 14 / Koruna)

DENMARK (Feb 21 / Kr)

FINLAND (Feb 21 / Mka)

FRANCE (Feb 21 / Frs.)

GERMANY (Feb 21 / Dm.)

GREECE (Feb 21 / Drachma)

ITALY (Feb 21 / Lira)

NETHERLANDS (Feb 20 / Fls.)

NORWAY (Feb 21 / Kroner)

POLAND (Feb 20 / Zloty)

PORTUGAL (Feb 21 / Escudo)

SPAIN (Feb 21 / Pta.)

SWEDEN (Feb 21 / Kronor)

SWITZERLAND (Feb 21 / Frs.)

TURKEY (Feb 21 / TK Lira)

PACIFIC

JAPAN (Feb 21 / Yen)

AUSTRALIA (Feb 21 / Aust$)

HONG KONG (Feb 21 / H.K.$)

INDONESIA (Feb 21 / Rupiah)

MALAYSIA (Feb 21 / MYR)

NEW ZEALAND (Feb 21 / NZ $)

SINGAPORE (Feb 21 / S$)

SOUTH KOREA (Feb 21 / Won)

TAIWAN (Feb 21 / TW $)

THAILAND (Feb 21 / Baht)

AFRICA

SOUTH AFRICA (Feb 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 21 / Can $)
4 pm close

MONTREAL (Feb 21 / Can $)
4 pm close

INDICES

	Feb 21	Feb 20	Feb 17	1994/5 High		1994/5 Low	
India							
BSE Sens.(1979)	3280.83	3356.73	3383.89	4626.57	12/9/94	3280.83	21/2/95
Indonesia							
Jakarta Comp.(10/8/82)	455.83	454.03	453.14	612.89	5/1/94	432.98	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1882.75	1885.86	1896.55	2082.16	20/1/94	1624.14	1/7/94
Italy							
Banca Comm Ital (1972)	641.80	654.31	655.90	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1014.0	1034.0	1036.0	1318.99	10/5/94	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18098.25	17958.48	18020.51	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	257.58	258.21	257.09	311.71	13/6/94	253.71	16/2/95

	Feb 21	Feb 20	Feb 17	1994/5 High		1994/5 Low	
Thailand							
Bangkok SET (30/4/75)	1288.31	1286.89	1304.27	1753.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	29149.3	29030.0	28214.1	29149.30	21/2/95	12869.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	616.9*	617.2	616.6	649.90	2/11/94	591.90	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1309.97	1314.92	1322.08	1508.78	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1164.72	1163.70	1171.93	1311.01	2/2/94	1138.48	5/10/94
JCapEurope (31/12/88)	(u)	291.59	294.59	395.19	5/1/94	291.46	23/1/95
Barings Emerg.(7/1/92)	134.23	134.45	132.36	191.78	26/9/94	132.36	17/2/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Feb	1800.0	1815.0	+7.0	1817.0	1797.0	22,380	29,255
Mar	1806.5	1822.5	+7.0	1823.5	1804.0	3,249	23,992
■ DAX							
Mar	2108.0	2108.0	-3.0	2115.5	2098.0	13,652	
Jun	2128.0	2128.0	-3.0	2134.0	2120.0	283	

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Feb	1172.00	1175.75	+2.75	1178.00	1168.00	6,475	14,337
Mar	1177.00	1182.25	+2.25	1184.00	1174.50	4,242	11,409
■ SOFFEX							
Feb	2611.0	2617.0	+10.1	2625.0	2603.2	4,256	12,871
Mar	2618.0	2626.0	+22.0	2626.0	2616.5	32	580

** Sat Feb 18: Taiwan Weighted Price 6660.29; Korea Comp Ex 909.44. Base values of all Indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 21 - 2101.82 -0.16.

US INDICES

Dow Jones	Feb 17	Feb 16	Feb 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3963.54	3987.52	3986.17	3987.52 (16/2/95)	3593.35 (4/4/94)	3987.52 (16/2/95)	41.22 (2/7/32)
Home Bonds	96.43	96.00	95.81	105.61 (21/1/94)	93.56 (30/12/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1566.81	1571.94	1575.66	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.71	194.24	193.84	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4001.99 (4011.07) Low 3937.05 (3948.16) (Theoretical♦)
Day's high 3984.16 (3987.52) Low 3953.63 (3964.54) (Actual♦)

Standard and Poors	Feb 17	Feb 16	Feb 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	481.97	485.22	484.54	485.22 (16/2/95)	438.92 (4/4/94)	485.22 (16/2/95)	4.40 (1/6/32)
Industrials♥	570.00	574.05	572.70	574.85 (17/2/95)	510.85 (21/4/94)	574.85 (17/2/95)	3.62 (21/6/32)
Financial	45.52	45.67	45.76	48.94 (14/8/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.83	263.27	263.19	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	447.80	447.88	449.35	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	786.97	793.31	795.63	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 17	Feb 10	Feb 3	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.73	2.59
	Feb 15	Feb 8	Feb 1	Year ago
S & P Ind. Div. yield	2.38	2.39	2.42	2.36
S & P Ind. P/E ratio	19.57	19.38	18.96	29.09

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Motorola	19,887,500	57⅞	-6¾
RJ Nabisco	10,251,800	5½	-⅛
Telefonos	9,182,300	30⅛	—
Merck	6,262,800	41¾	+⅞
AT&T	4,250,300	50½	-⅜
Gen Electric	4,199,200	53⅝	-¾
Philip Morris	3,873,300	60¼	-1⅝
Sears Roe	3,514,000	47½	+¼
Wal Mart	3,302,500	23⅝	-⅜
Coca Cola	3,241,600	53½	-½

■ TRADING ACTIVITY

● Volume (million)

	Feb 17	Feb 16	Feb 15
New York SE	347.923	360.984	377.942
Amex	14.033	17.882	17.167
NASDAQ	322.982	322.982	360.072
NYSE			
Issues Traded	2,946	2,964	2,961
Rises	911	870	1,481
Falls	1,220	1,335	743
Unchanged	815	759	737
New Highs	42	58	69
New Lows	39	72	57

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	484.10	484.40	-0.05	486.30	483.70	51,887	198,218
Jun	489.90	488.45	+0.05	489.90	487.90	796	19,867
■ Nikkei 225							
Mar	18030.0	18180.0	+170.0	18250.0	18030.0	29,744	124,939
Jun	18100.0	18220.0	+150.0	18310.0	18100.0	7,483	36,220

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 21, 1995

	Stocks Traded	Closing Prices	Change on day
Hachijuni Bnk	9.6m	1180	+20
Sumitomo Const	7.2m	709	+6
Fudo Const	4.5m	1050	-10
Nip Steel	4.1m	345	+1
Joyo Bank	3.9m	765	+15
Nip Yusen	3.7m	572	-4
Higashi Nip Bnk	3.6m	771	
Yamaha Motor	3.4m	780	
NKK	3.3m	266	+8
NEC	3.1m	931	+7

4 pm close February 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	13	AAR	0.48	3.5	24	36	13⅝	13½	13⅝	+⅛
22⅛	19¼	ALPharmaA	0.18	0.8	48	377	21⅞	21¼	21¼	-½
75¾	70⅛	AMP	1.84	2.4	21	1973	u75¾	74½	75¾	+⅝
61⅝	53⅞	AMR			26	6923	59⅝	58¼	59	+1
46⅞	41⅞	ASA	1.71	3.8	28	432	44⅞	44½	44⅞	+¼
36	30⅞	AbbtL	0.84	2.5	18	9520	34⅛	33⅞	34⅛	-¼
14	13	Abitibi Pr	0.50	3.8	12	390	13⅜	13⅛	13¼	+⅛
24⅞	22⅛	ABM Ind	0.60	2.7	13	42	22⅝	22¼	22¼	-⅛
16⅝	14½	Acmpcaln			12	67	16½	16⅜	16½	+⅛
25⅞	21⅞	ACE Ltd	0.44	1.8	8	46	25⅛	25	25	+⅛
9¾	9⅛	ACM Gvt In	1.08	11.7	8	423	9½	9⅜	9⅜	-⅛
7½	7⅛	ACM GvOpp	0.80	11.0		38	7⅝	d7⅛	7¼	+⅛
7½	6¾	ACM Gvt Sp	0.96	13.7		304	7⅛	7	7	-⅛
8⅝	8	ACM Gvt Sc	1.09	13.1		341	8½	8⅜	8⅜	
8½	7⅝	ACM Man	1.08	13.7		383	7⅞	7¾	7⅞	+¼
7⅝	7¼	ACM Managd	0.72	9.8		112	7½	7⅜	7⅜	
16¼	10⅛	AcmeClv	0.48	3.3	8	140	14¾	14⅝	14⅝	
21½	12⅞	Acme Elect			20	359	18½	17⅝	17¾	-⅜
34½	31⅞	Acordia	0.72	2.2	16	78	33¼	32⅞	32⅞	-⅛
11⅛	8⅝	Actava	0.36	3.4	3	968	10⅞	10½	10½	-¼
16¾	12⅝	Acuson			20	755	13	12¾	12⅞	+⅛
16⅝	15⅝	Adams Expr x	0.36	2.2	0	191	16⅜	16⅛	16⅜	-⅛
64½	53	Ad Micro	3.00	5.1		97	60¼	58¾	58⅞	-2⅛
32¼	25	AdvMic	3.00	10.1	8	11121	30¾	29⅝	29¾	-1
6⅞	5	Advest Grp	0.16	2.6	30	18	6⅛	6⅛	6⅛	
19¾	16½	Advo Inc	0.10	0.5	16	8	18⅝	18⅜	18⅜	-⅛
67½	63⅞	Aegon ADR	1.47	2.2	13	6	u67⅞	67½	67⅞	+¾

Continued on next page

صكتا من الاجل

4 pm close February 21

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
38¼	33¾	SFePPipe	2.80	7.7	9	58	u36¼	36⅛	36¼	
21¼	17⅞	SanFeP	0.10	0.5	20	8496	u21½	20⅞	21½	+⅝
27¼	24¼	SaraLee	0.68	2.6	53	7104	26	25⅝	26	+¼
45⅛	42	Scana Corp	2.88	6.6	13	108	44	43⅞	43⅞	-¼
16¾	14½	Scecorp	1.00	6.1	10	5145	16½	16⅜	16½	+⅛
11¼	9⅝	SchwitkA	0.26	2.7	34	5	9¾	9¾	9¾	-⅛
48¼	42⅞	SchererRP			27	549	44½	44	44	-1¼
78⅛	71	SchrPl	2.04	2.7	16	3084	76¾	75⅞	76⅝	-¼
58½	50⅛	Sclmb x	1.20	2.1	25	6371	u57⅞	56¾	56¾	+1.83
45¾	33⅞	Schwab(C)	0.36	0.8	18	431	43⅞	43¼	43⅞	-¼
9½	7¾	Schwitzer			8	10	9	8⅞	9	
22⅞	17½	SciAtl	0.06	0.3	28	3084	u22⅞	21⅝	22⅛	+⅜
18⅛	16⅞	Scotsman	0.10	0.6	13	71	u18⅛	17¾	17⅞	-⅛
78¾	67⅛	ScottP	0.80	1.0	21	1665	77⅞	76	77⅛	+⅜
30⅛	26⅞	Scripps	0.44	1.5	19	105	29½	29¼	29¼	-⅜
21½	15⅞	ScuddNAsF	0.02	0.1		149	18⅜	18⅛	18¼	+¼
9¾	8⅞	ScuddrNEuF	0.16	1.8		344	9⅛	9	9⅛	+⅛
14⅞	13⅝	SeaCnB	0.70	4.8	9	18	14½	14⅜	14½	
15½	15⅛	SeaCt.4625	1.46	9.7		3	15⅛	d15⅛	15⅛	
28	24	S'gate			7	4809	26½	25⅞	26	-⅜
30⅝	28⅞	Seagrm	0.60	2.0	14	3721	30	29¾	30	+⅜
19¾	15¾	Seagull En			177	1043	16¼	16	16	-⅜
41¾	36⅞	Sealed Air			21	178	41½	41⅛	41⅛	-⅜
49⅞	44⅛	SearsR	1.60	3.4	15	12103	47⅞	47½	47¾	+¼
12	10⅞	Seligm Sel x	0.84	7.0		127	u12	11⅞	12	
35⅞	28⅛	Sensormat	0.22	0.7	23	2294	29¾	29¼	29⅝	-¼

AMEX COMPOSITE PRICES

4 pm close February 21

NASDAQ NATIONAL MARKET

4 pm close February 21

AMERICA

Tobaccos fall in wake of lawsuit news

Wall Street

The major US stock indices shrugged off declines in bond and currency markets to post modest gains yesterday morning, *writes Lisa Bransten in New York*.

At 1 pm the Dow Jones Industrial Average was up 9.76 at 3,963.30. The Standard & Poor's 500 had climbed 0.85 to 482.82 and the American Stock Exchange composite was up 0.39 to 447.99. The Nasdaq composite lost 1.30 at 785.67. Trading volume on the NYSE came to 182m shares.

In morning trading the dollar continued to fall against the D-Mark, and the long bond was off an eighth of a point, yielding 7.593. The dollar did rise modestly against the Japanese yen.

Uncertainty about monetary policy also added pressure. Last week the market set new records as company earnings came in generally better than expected and traders suggested that weak economic data might deter the Federal Reserve from raising interest rates again in the short term.

Mr Alan Greenspan, chairman of the Fed, was expected to address such issues in congressional testimony on monetary policy objectives to be delivered today.

Tobacco companies declined on the first day of trading after news that two lawsuits threatened the cigarette industry: on Friday a Louisiana judge cleared the way for a class action suit against the US tobacco companies and, yesterday, Florida filed suit, seeking damages from cigarette manufacturers for medical expenses incurred by the state in treating smoking related illnesses.

Philip Morris lost $2¼ at $58 and RJR Nabisco $⅛ at $5⅝.

News of mergers and acquisitions affected the prices of several stocks. Shawmut National jumped 22 per cent, rising $4¼ to $25, after Fleet Financial announced that it would buy the Boston-based bank for $3.7bn or $30 a share. Fleet Financial dropped $2⅝ to $30⅜ on the news.

US Shoe lost $1⅝ at $19⅛ and Nine West was ahead $¼ at $28 after the two companies announced that they had ended negotiations for Nine West to buy US Shoe's footwear business.

In earnings-related activity, Home Depot shed $1⅛ to $46⅞ after the chain of home improvement stores reported fourth-quarter earnings of 32 cents per share versus analysts expectations of 33 cents per share. Ann Taylor also reported earnings, of 35 cents per share, just one cent per share below analysts' expectations, but firmed $⅝ to $32⅝.

Canada

Toronto stocks continued to ease at midday, with bond-driven gains in several sectors offset by sharply weaker gold shares. The TSE 300 index declined 5.6 to 4,101.0 in volume of 27.29m shares valued at C$324.37m.

The precious metals index fell 111.16 to 8,758.53. Barrick Gold dropped C$⅛ to C$30¼ in 476,230 shares traded, while Placer Dome lost C$⅛ at C$27⅝ in 584,978.

Elsewhere, strength in Canadian bonds and a stable domestic dollar spurred gains in eight of Toronto's 14 sub-indices although, overall, declines outpaced advances by 269 to 235, with 296 issues unchanged.

Mexico, Brazil easier

Mexican stocks were slightly easier in light early trade following news that the $20bn US credit package had been approved.

The IPC index was off 14.73 at 1,751.41 in turnover of 11.4m pesos.

Equities were still being affected by Monday's announcement of a rise in short-term interest rates.

Telmex L shares declined 2.9 per cent on arbitrage trading, while the ADRs in New York had gained $⅛ at $30⅛.

SAO PAULO was down 1.3 per cent in volatile midday trade as a lack of fresh funds entering the market squeezed liquidity and prompted speculative selling. The Bovespa index lost 397 at 29,183 in turnover of R$113.5m ($134.8m).

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+2.47	-0.54	-18.08	-17.73	-9.95	-4.07
Belgium	-0.22	+0.49	-11.02	-9.94	-0.21	+6.30
Denmark	-1.44	+1.64	-15.81	-8.99	-1.09	+5.36
Finland	-1.88	-3.59	+2.12	+21.17	+42.49	+51.79
France	-2.27	+1.14	-19.25	-17.97	-12.20	-6.47
Germany	-0.37	+2.66	-3.61	-9.04	-0.39	+8.11
Ireland	+0.04	+3.64	-0.85	+4.33	+8.76	+15.86
Italy	-2.60	-1.36	-2.85	+8.95	+8.88	+15.96
Netherlands	-0.82	+1.22	-5.67	-2.79	+6.18	+13.11
Norway	-2.63	+0.90	-6.64	+3.48	+11.63	+18.91
Spain	-1.99	+1.81	-18.37	-12.97	-8.91	-4.03
Sweden	-1.78	+0.97	+0.85	+9.17	+16.29	+23.88
Switzerland	-1.31	+0.85	-13.91	-10.37	-0.75	+5.74
UK	-1.99	+1.46	-11.85	-10.87	-10.87	-5.06
EUROPE	-1.60	+1.26	-10.82	-9.17	-4.80	+1.42
Australia	+0.71	-0.86	-14.55	-12.15	-10.41	-4.56
Hong Kong	+0.93	+12.57	-25.30	-33.33	-37.44	-33.35
Japan	-1.81	-3.92	-9.97	-3.34	+3.88	+10.63
Malaysia	+2.65	+17.55	-6.79	-20.25	-21.03	-15.87
New Zealand	+2.05	+2.17	-8.84	-4.22	+1.29	+7.91
Singapore	+2.41	+6.04	-7.27	-13.64	-10.24	-4.39
Canada	-0.18	-0.21	-2.70	-1.53	-13.09	-7.42
USA	+0.08	+3.78	+3.20	+3.95	-2.41	+3.95
Mexico	-7.10	-11.47	-30.85	-25.65	-62.97	-60.56
South Africa	-2.46	-5.74	+2.41	+2.63	+6.25	+13.18
WORLD INDEX	-0.92	+0.74	-6.17	-4.03	-3.67	+2.62

† Based on February 17, 1995.

EUROPE

Milan shaken by higher than expected inflation

An upbeat Wall Street morning seemed to do little for bourses, some of which seemed preoccupied with their own concerns, *writes Our Markets Staff*.

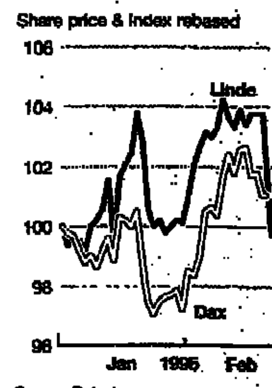
MILAN was shaken by higher than expected inflation data for February and a weak lira. The Comit index dipped 12.51 or 2 per cent to 641.80, while the real-time Mibtel index lost 166 at 10,262.

The market showed little reaction to an announcement from the government that the mini-budget might be ready for publication by Friday at the latest.

Among the banks, Bonfiche Siele again bucked the trend, adding L235 at L34,350, following the bid by Banca di Roma, off L20 at L1,600. Banca Nazionale dell'Agricultura, the Bonfiche subsidiary, recovered L113 to L2,517.

Elsewhere, Fiat declined L120 to L6,335, Olivetti fell L47 to L1,830 and Pirelli shed L59 to L2,270. In telecoms, Telecom Italia dipped L132 to L4,255 and Stet L113 to L4,380.

FRANKFURT lost a few points in the morning, the Dax index closing 4.50 lower on the session at 2,097.04 as dealers balanced the currency effect on export earnings with a lack of pressure on the sell side.



Source: Datastream

In the afternoon there was a short upturn, the Ibis indicated Dax peaking at 2,107.25 on an improving dollar, the hope that Wall Street would open higher, and a little short-covering. But the recovery was fragile, and the index ended 0.16 easier at 2,101.82. Turnover increased from DM4.1bn to DM5.2bn.

There was only one big corporate story on the day. Linde, one of Europe's biggest producers of warehouse lift trucks, dropped DM42 or 4.5 per cent to DM892 on the session after its announcement of a one-for-five rights issue.

Ms Barbara Altmann at B Metzler in Frankfurt said the rights issue was a big surprise, and that Linde was not cheap on a 1995 p/e ratio of 21.2, compared with a 17.2 average for Dax constituents.

PARIS closed the February account with a slight gain, and above the 1,800 level, having been as low as 1,787 during the session. The CAC-40 index improved 3.38 to 1,805.62 in turnover of some FFr4bn.

The market's mood was clouded by a new opinion poll which showed that presidential election support for Mr Edouard Balladur, the prime minister, had fallen sharply. Mr Balladur's credibility had been affected following his admission at the weekend that his office had authorised telephone tapping.

Among the main stocks, Seita was again the most heavily traded as institutions sought to build up positions, but the shares finished unchanged at FFr133.

Among second liners, Filipacchi Medias, the publisher, tumbled nearly 8 per cent, by FFr65 to FFr772, after a broker's downgrade.

AMSTERDAM fielded satisfactory results from Unilever, Polygram and Océ-van der Grinten, but dropped the share prices of all three as the AEX index rose 0.09 to 410.12.

Unilever, initially unsettled by a large write-off for its controversial Persil/Omo Power detergent range, fell Fl 1.60 to Fl 96.80, missing the recovery in London later which saw the figures as solid, satisfactory and unexciting.

Polygram, the Philips subsidiary, fell 30 cents to Fl 84 on profit-taking following its 20 per cent rise in profits, while Océ, the photocopier group, lost 90 cents at Fl 86.10 for the same reason, the impact of a 45 per cent rise in profits dulled by an unchanged dividend.

ZURICH saw Roche certificates up SFr50 to SFr6,800 on foreign buying at the same time as UBS bearers rose SFr6 to SFr1,048, ahead of Friday's 1994 results. The SMI index closed 12.7 higher at 2,609.9.

Below the top echelon, EMS Chemie climbed SFr115 or 3.2 per cent to SFr3,765 in moderate volume, but on what dealers said was buying by several banks. Kuoni rose SFr2,000 or 5.7 per cent to SFr37,000 on the buyback of 50.1 per cent of the travel group's stock previously held by Kaufhof, the German retailer.

OSLO took a second beating following the Norsk Hydro results. Hydro reported record profits on Monday but this left the shares down NKr8 on the day, and another NKr8 lower yesterday at NKr250, taking the All-share index down by 8.20 or 1.3 per cent to 630.09.

Merrill Lynch yesterday regraded the group, Norway's largest industrial company, as a mild buy rather than an aggressive one, citing possible lower aluminium prices in the second half of 1995 as a reason for its downgrading.

ISTANBUL continued to rally, mainly on buying by domestic institutions. The composite index ended at a new all-time high of 29,149.32, up 119.26, although turnover shrank to TL5,700bn from TL7,680bn.

There appeared to be two main reasons for the market's drive ahead over the last 10 sessions, said Mr Stuart Harley of Schroders in London: first, interest rates were beginning to be reduced; and, secondly, there was confidence that inflation would fall this year. The market could encounter a problem breaking through the 30,000 barrier, he added.

WARSAW tumbled in high volume in a nervous reaction to the central bank's increase in official interest rates, the discount rate from 28 to 31 per cent and the Lombard from 31 to 34 per cent. The Wig index fell 322.4 or 4.9 per cent to 6,277.2 as turnover jumped by 133 per cent to 49.4m zlotys.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1310.72	1308.98	1308.89	1309.08	1308.15	1308.69	1310.58	1309.97
FT-SE Eurotrack 200	1364.85	1364.84	1364.28	1366.05	1364.88	1365.73	1368.25	1367.32

	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14
FT-SE Eurotrack 100	1314.92	1322.06	1323.82	1343.63	1345.14
FT-SE Eurotrack 200	1367.73	1377.81	1383.58	1394.10	1394.51

Base 1000 (26/10/90); Highday: 100 - 1311.28; 200 - 1368.65 Lowday: 100 - 1307.34 200 - 1363.04 † Partial

ASIA PACIFIC

Hong Kong rebounds 2.2% on hopes for land auction

Equities in Hong Kong rebounded from Monday's fall as optimism grew about the outcome of today's land auction, while fears also receded about the possible consequences of the weekend arrest of the head of the Shougang group.

The Hang Seng index rose 175.55 or 2.2 per cent to 8,082.29, erasing Monday's 136-point loss. Turnover increased to HK$2.9bn from HK$2.07bn.

Most investors were reassured that the Shougang affair would not affect other Chinese-related companies after the Beijing authorities clarified the position, saying that Mr Zhou Beifang had been detained for questions to do with his personal, rather than corporate, affairs.

Shougang group shares resumed trading, having been suspended for one session: Shougang Concord International and Shougang Grand declined 13 cents apiece to HK$1.55 and HK$1.15.

Five lots of government land were to be auctioned today and analysts said they expected a good response from developers, compared with recent auctions where some plots had been withdrawn because of a lack of interest.

In the real estate sector, SHK Properties put on HK$1.90 at HK$49, Cheung Kong HK$1 at HK$32.20 and Henderson Land HK$2.20 at HK$38.50.

Tokyo

Arbitrage linked buying helped share prices, and the Nikkei 225 average recovered to close above the 18,000 level, *writes Emiko Terazono in Tokyo*.

The index improved 139.77 to 18,096.25 after a day's low of 17,946.57 and high of 18,194.50. Stock prices, which gained as small-lot buying orders and index linked purchases propped the Nikkei in the morning, saw further support in the afternoon on arbitrage buying.

Volume rose to 341m shares, from 277m, on cross trading, or the selling and buying back of holdings to realise profits, by corporate investors. Aside from such trading and arbitrage activity, most investors remained on the sidelines, concerned about fluctuations in the currency market.

The Topix index of all first section stocks firmed 6.67 to 1,402.24 and the Nikkei 300 picked up 1.35 to 257.56. Rises led falls by 576 to 404, with 201 issues unchanged. In London the ISE/Nikkei 50 index edged up 2.72 to 1,145.57.

Although arbitrage buying was a positive influence on the day, traders remained jittery over the increase in long cash arbitrage positions against stock index futures, totalling 1.4bn shares last week. "The market will be vulnerable to swings on the futures market," said a Japanese broker.

High-technology stocks, which had been sold off last week, regained ground. Sony advanced Y30 to Y4,430 and TDK by Y60 to Y4,090. Heavy electricals were also higher, with NEC up Y7 to Y931.

Regional banks were active on cross trading. Hachijuni Bank, the most active issue of the day, rose Y20 to Y1,190, Joyo Bank added Y15 at Y785 and Higashi Nippon Bank remained at Y771.

Prospects of stable earnings supported drug companies. Takeda Chemical Industries climbed Y30 to Y1,160 and Sankyo Y60 to Y2,230.

Privatisation stocks were mixed. Nippon Telegraph and Telephone moved ahead Y4,000 to Y716,000 while Japan Tobacco lost Y3,000 at Y864,000. East Japan Railway gained Y10,000 at Y439,000.

Construction shares were sold, with the sector losing 0.19 on the day. Daisue Construction, the Osaka based contractor which rallied following last month's earthquake, retreated Y16 to Y618 and Ando fell Y19 to Y556. Fudo Construction dipped Y10 to Y1,050.

In Osaka, the OSE average moved up 92.26 to 19,638.32 in volume of 123.8m shares. Exporters were bought back, with Rohm appreciating Y70 to Y3,420 and Murata Manufacturing Y70 to Y3,070.

Roundup

A mixture of performances characterised the region's markets yesterday.

KUALA LUMPUR receded 1.6 per cent in what traders described as a technical correction from recent high levels. The composite index shed 15.40 to 971.10 in turnover down to M$762.9m from M$1.45bn.

Tenaga Nasional relinquished 10 cents at M$10 and Genting 90 cents at M$22.50.

SINGAPORE was unsettled by renewed selling of blue chips in light trading. The Straits Times Industrial index fell 11.64 to 2,105.14, in volume estimated at 130m shares.

Brokers said declines in shipbuilders led the market lower. Keppel lost 20 cents at S$11.10, while Sembawang Shipyard eased 10 cents to S$10.30 and Far East Levingston receded 20 cents to S$6.10.

Property issues remained weak as retail investors unwound long positions due to worries over the prospects for the sector. Singapore Land fell 40 cents to S$8.10 and DBS Land lost 4 cents at S$3.64.

BOMBAY saw a combination of sustained selling pressure from retail investors and a lack of support from local mutual funds, and the BSE 30-share index dropped 75.90 or 2.26 per cent to a 52-week low of 3,280.83. Early in the day, dealers had also blamed selling by Unit Trust of India, the country's biggest mutual fund, for the weakness in the market.

BSE jobbers also raised their spreads in selective shares to gain a temporary respite from the selling pressure.

COLOMBO continued its downward career, still talking about the next support level of 750 as the all-share index fell 15.15 or 1.8 per cent to 811.61. Turnover expanded from Rs25.28m to Rs47.30m.

Domestic institutions, selective buyers of fundamentally strong situations, were more heavily on the selling side as they rationalised their portfolios ahead of March 31.

BANGKOK was subjected to light profit-taking in leaders and some buying interest in small-capitalisation stocks as the SET index shed 8.68 to 1,288.31 in moderate turnover of Bt4.45bn.

TelecomAsia, which topped the active list, pulled the index with a fall of Bt2 to Bt88.50 in 5.3m shares dealt. A tranche of 25m, originally offered to staff at Bt10 a share, was admitted to trading yesterday.

WELLINGTON's NZSE 40 index fell 7.54 to 1,982.91 after weakness in leading forestry stocks, Carter Holt Harvey slipping 8 cents to NZ$3.50 with some large parcels traded, and Fletcher Challenge losing 3 cents at NZ$3.90 in advance of today's interim report.

S Africa slips from day's highs

Equities closed off the day's highs after a quiet session during which there were reports that the country's dual exchange rate system could soon be abolished.

Mr Chris Stals, governor of the Reserve Bank, said that the abolition of the financial rand was now in the hands of the country's politicians.

A percentage point rise in interest rates to 14 per cent had been discounted. The overall index lost a net 5.9 at 5,101.8, industrials gained 10.2 at 6,281.9 and the gold shares index shed 14.4 to 1,566.6.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 20 1995								FRIDAY FEBRUARY 17 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	156.87	-0.2	148.72	97.34	121.66	143.31	-0.2	4.08	159.26	149.82	98.18	123.26	143.65	181.43	157.95	178.69
Austria (16)	178.93	0.8	167.49	109.82	137.01	136.97	0.0	1.19	177.45	166.93	109.36	137.34	137.02	198.89	167.46	186.68
Belgium (35)	173.96	0.6	162.84	106.58	133.21	130.14	-0.3	4.24	172.89	162.64	106.56	133.81	130.60	177.04	161.53	168.88
Brazil (28)	118.57	-0.4	110.99	72.64	90.79	183.43	-0.9	1.69	119.07	112.01	73.38	92.15	185.20	–	–	–
Canada (103)	126.21	0.4	118.15	77.33	96.64	128.44	0.2	2.72	125.71	118.26	77.48	97.30	128.20	141.01	120.54	135.28
Denmark (33)	261.21	0.3	244.52	160.04	200.02	208.71	-0.6	1.53	260.45	245.01	160.52	201.58	207.93	275.27	236.61	272.67
Finland (24)	183.76	-1.7	172.02	112.56	140.71	176.10	-2.9	0.86	187.00	175.91	115.25	144.73	181.43	201.41	133.88	151.38
France (101)	164.48	-0.1	153.97	100.77	125.95	132.28	-1.1	3.26	164.58	154.82	101.43	127.38	133.70	181.44	157.79	178.66
Germany (58)	149.41	0.4	139.87	91.54	114.41	114.41	-0.7	1.83	148.81	139.99	91.71	115.17	115.17	150.40	128.94	135.02
Hong Kong (56)	320.68	-1.7	300.18	196.47	245.55	318.26	-1.7	3.95	326.11	306.77	200.99	252.40	323.66	437.46	277.40	437.46
Ireland (16)	214.77	0.1	201.05	131.59	164.47	191.96	-0.7	3.39	214.58	201.88	132.25	166.08	193.20	216.60	177.56	195.47
Italy (58)	79.35	-0.2	74.28	48.62	60.77	94.60	-1.0	1.64	79.54	74.83	49.02	61.56	95.54	97.78	67.25	78.34
Japan (484)	144.37	0.3	135.15	88.45	110.55	88.45	-0.3	0.86	143.96	135.43	88.73	111.43	88.73	170.10	139.45	149.86
Malaysia (97)	494.88	-0.6	463.26	303.20	378.96	488.99	-0.5	1.73	497.64	468.13	306.70	385.16	489.49	594.76	398.16	496.77
Mexico (15)	949.34	0.6	888.68	581.64	726.95	5864.47	-2.7	1.85	941.78	885.93	580.43	728.90	6028.86	2552.21	905.27	2552.21
Netherland (19)	226.86	0.7	212.37	138.99	173.72	171.04	-0.3	3.38	225.21	211.85	138.80	174.30	171.57	226.86	191.28	204.09
New Zealand (14)	73.10	-0.2	68.43	44.79	55.98	61.54	-0.3	4.79	73.28	68.93	45.16	56.71	61.74	77.20	62.05	71.63
Norway (23)	213.98	0.2	200.30	131.10	163.85	188.14	-0.9	1.94	213.61	200.94	131.65	165.32	189.77	216.03	177.53	200.98
Singapore (44)	350.01	-0.4	327.65	214.44	268.02	234.26	-0.5	1.63	351.41	330.56	216.58	271.98	235.35	401.38	294.68	346.33
South Africa (59)	306.25	1.3	286.68	187.63	234.51	256.83	-0.1	2.64	302.35	284.42	186.34	234.00	257.07	342.00	205.55	249.17
Spain (38)	133.42	-0.2	124.89	81.74	102.16	130.02	-1.0	4.37	133.73	125.80	82.42	103.50	131.31	150.21	124.87	149.75
Sweden (46)	245.34	0.9	229.67	150.32	187.87	264.86	0.1	1.66	243.26	228.83	149.92	188.27	264.54	247.40	196.70	226.56
Switzerland (47)	171.05	1.0	160.12	104.80	130.98	132.10	0.0	1.84	169.33	159.28	104.36	131.05	132.15	171.05	149.91	168.48
Thailand (46)	149.60	-0.8	140.04	91.66	114.56	144.92	-0.9	2.82	150.84	141.89	92.96	116.74	146.21	–	–	–
United Kingdom (204)	194.04	-0.3	181.64	118.89	148.59	181.64	-0.8	4.29	194.68	183.14	119.99	150.68	183.14	205.58	181.11	204.75
USA (513)	197.41	0.0	184.80	120.95	151.17	197.41	0.0	2.86	197.41	185.71	121.67	152.79	197.41	198.70	178.95	190.22
Americas (662)	180.85	0.0	169.30	110.80	138.49	161.65	0.0	2.83	180.82	170.09	111.44	139.94	151.69	–	–	–
Europe (720)	172.15	0.1	161.15	105.47	131.82	148.87	-0.7	3.15	171.96	161.78	105.99	133.10	149.92	176.01	160.59	173.19
Nordic (128)	233.72	0.3	218.78	143.19	178.97	213.04	-0.6	1.54	233.05	219.23	143.63	180.37	214.26	235.72	197.70	217.70
Pacific Basin (809)	152.42	0.1	142.68	93.39	116.72	97.92	-0.4	1.24	152.26	143.23	93.84	117.84	98.30	176.86	146.93	161.07
Euro-Pacific (1529)	160.54	0.1	150.29	98.36	122.94	117.59	-0.5	2.09	160.38	150.87	98.84	124.13	118.21	175.14	154.73	165.96
North America (616)	193.00	0.0	180.67	118.25	147.79	192.74	0.0	2.85	192.97	181.53	118.93	149.35	192.72	194.20	175.67	186.61
Europe Ex. UK (516)	156.21	0.3	146.23	95.71	119.62	129.24	-0.6	2.51	155.69	146.45	95.95	120.49	130.06	158.12	144.12	152.78
Pacific Ex. Japan (325)	231.57	-0.8	216.78	141.88	177.33	205.54	-0.8	3.28	233.49	219.65	143.91	180.72	207.25	273.84	211.19	269.22
World Ex. US (1737)	160.78	0.1	150.51	98.51	123.12	120.48	-0.5	2.11	160.56	151.04	98.96	124.27	121.10	176.65	155.42	167.82
World Ex. UK (2046)	169.56	0.1	158.73	103.89	129.84	139.54	-0.3	2.18	169.34	159.30	104.37	131.06	139.93	176.59	163.46	171.16
World Ex. Japan (1766)	187.93	0.0	175.92	115.14	143.91	176.98	-0.3	2.98	187.92	176.77	115.81	145.44	177.59	192.00	176.34	188.78
The World Index (2250)	171.72	0.1	160.75	105.21	131.50	143.34	-0.3	2.39	171.58	161.40	105.74	132.79	143.61	180.60	165.92	174.12

Latest prices were unavailable for this edition. USA market closed 20/2/95.